

# Nation's Business<sup>®</sup>

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**Avoiding Trouble From  
Job-Bias Testers**

**Office Equipment:  
More For Less**

**Small Firms With  
Big Partners**

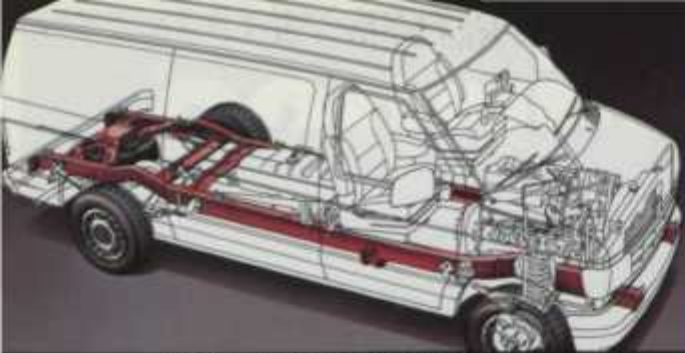
## Protecting OSHA From "Reform"

*Business moves to  
head off changes  
that could  
undermine  
job-safety laws.*



FEBRUARY 1992





Body-on-frame construction



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All-new F-Series instrument panel

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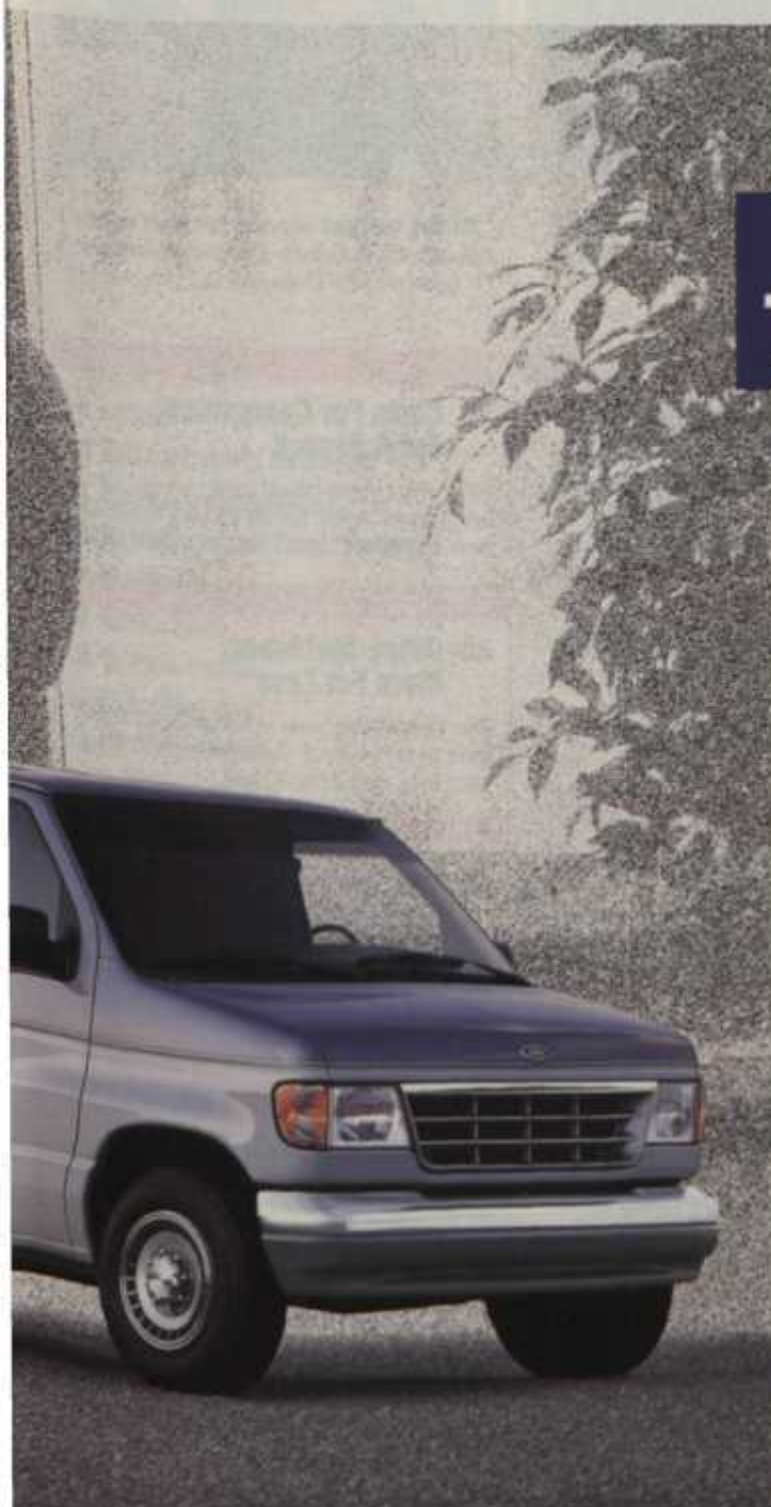
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# Nation's Business

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PHOTO: SERVICE BUCHANAN

Proposals to "reform" OSHA would rekindle "us-against-them" labor-management attitudes, says plastic-parts manufacturer Robert Stamstad, shown with employee Carol Lawler. Cover Story, Page 16.



PHOTO: GANNETT-SPRING

"Always question success," says Home Depot's CEO Bernard Marcus. Lessons Of Leadership, Page 30.

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Here's an opportunity to give your views on a critical business issue. Results will be sent to leaders of Congress and the Bush administration as they consider changes in the health-care system.



# Editor's Note

## "Reform" Is A Word That Can Obscure

A wise observer of the legislative process in Washington once commented that prospects for passage of a bill can be improved by the simple device of sticking the word "reform" into its title. It's often an effective way of obscuring the real purpose of a bill and putting opponents on the spot: *What do you mean, you're against reform?*

This month's cover story, by Senior Writer David

Warner, deals with an important business issue that has come up in Congress with a reform label attached to it. The legislation would make sweeping changes in the landmark Occupational Safety and Health Act. Supporters say the revisions are badly needed. Opponents say they would mean less workplace protection, not more.

Our article (Page 16) explores the stakes for business in this claim of "reform." You'll find this information most helpful if you are subjected to the incredulous question: *You're against reform?*

It's difficult for small-business people to keep up with fast-changing laws affecting the workplace. We pointed out recently that many employers don't realize that job-bias laws apply to promotions as well as to hiring and firing, and we listed the rules for moving people up.

Next month, we'll report on employers' responsibilities under new legislation on job discrimination. In this issue, we spotlight an aspect of anti-bias enforcement that might surprise you. The article on Page 36 describes the use of "testers"—people who apply for jobs with the sole intention of probing for evidence of bias in your hiring. You need to know about such tactics and how you can avoid problems from this kind of sting operation.

Note that our "Where I Stand" survey this month (Page 62) deals with health care, an issue with a potentially high cost impact. Give us your views—and we'll get them to the decision makers.

*Robert T. Gray*

Robert T. Gray  
Editor



Gerard Scannell, left, former OSHA administrator, with Senior Writer David Warner.



Children's clothes need not be dull, say Flapdoodles owners Carole Bieber and Marc Ham. Making It, Page 12.

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# Letters

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## Is It Time To Scale Back On Prices And Wages?

Concerning your January cover story, "1992 Outlook For Small Business," I wonder if we should look at the economic situation in another light. The never-ending cycle of price and wage increases has brought us to the point where higher wages don't mean much anymore.

Should we now begin a scaling back of wages and prices? It could be done in stages to a percentage of present levels. If we went back to 10 percent, most people would fall into a lower tax bracket—or out from under taxes altogether. We should then be able to compete with cheaper foreign imports much better.

*Marvin E. Richardson, President  
 Mississippi Time Instruments Co.  
 Jackson, Miss.*

## Outlook: Excellent

Your cover story was excellent, especially where you address the rapid rise in federal regulations. Keep up the good work.

*George Levy  
 Tampa, Fla.*

## Reasonable Access For Those With Disabilities

I was impressed with your article on the Americans with Disabilities Act ("What You Must Do For The Disabled," December), especially in that business readers were told not how severely the law's regulations would affect them but rather how reasonable and inexpensive most accessibility renovations can be.

As a disabled person who has used a wheelchair for eight years and who is a full-time design engineer for Caterpillar, I am aware of architectural barriers in most buildings. There probably will never be the perfect accessible building because each disabled person is different. The worst problem is the mental barrier of poor attitudes among the nondisabled.

I hope the awareness that the disabilities law has focused on the needs of disabled persons does not cause us to be stereotyped as vindictive radicals.

*Paul Rosenberger  
 Decatur, Ill.*

## Elected Officials' Failure Of Stewardship

The subtitle of "Term Limits: False Hope Or Cure?" [Cover Story, November] suggested that Americans are frustrated with Congress' inability to deal with health care and crime.

The real frustration of American voters is with the abysmal failure of the members of Congress to provide honest, decent, common-sense stewardship of the fiscal affairs of the taxpayers. Because of that failure—actually, irresponsibility—the taxpayers are more than \$3 trillion in debt.

*Leslie Y. Stanley  
 Cordova, Tenn.*

## Incentive Pay

Perhaps an alternative to term limits for Congress is a pay-by-incentive system to motivate Congress to work for the people rather than for special-interest groups.

How about a base pay of \$50,000 per year for representatives and senators plus \$25,000 bonuses for each of the following accomplishments in a given year: a balanced budget, an inflation rate of 3 percent or less, a real economic growth rate of 3 percent or more, a negative crime rate.

If pay-by-incentive worked for Congress, the next step would be the executive branch.

*Michael P. Hottenstein  
 Professor of Management  
 The Pennsylvania State University  
 University Park, Pa.*

## Spread The Responsibility For Job Safety

Thanks to *Nation's Business* for making such a strong case in "Ways To Make Safety Work" [December]. One point that needs to be emphasized constantly is that the Occupational Safety and Health Administration and other government agencies can do only so much.

There is no question about who is responsible for the safety and health of people where they work: Everybody is responsible, from the CEO and other top officers on down through every level of every organization.

Please note that the National Safety Council is a key resource for businesses in helping them with OSHA and other





compliance needs and making their workplaces safer and their employees more productive.

*T.C. Gilchrist, President  
National Safety Council  
Chicago*

## Don't Turn Business Into A Court System

In "How To Deal With Sexual Harassment" [December], nowhere is there any reference to the continuing policy of our politicians to make themselves look good to the envious by foisting onto business the responsibility of being a no-cost court system, educational system, or social-service agency.

Why couldn't redress for sexual harassment have been put on the books the same way that any other interpersonal transgression is: Let the victim go to the police station and file a complaint, or to a lawyer and file suit against the transgressor.

*John N. Coulbourn, President  
Coulbourn Instruments, Inc.  
Allentown, Pa.*

## All Schools Need To Be Included In Reforms

I applaud your interest in education and your cover story on "Schools That Work"



**Should victims of sexual harassment be able to file complaints with police?**

[October]. However, you ignored one segment of our nation's schools, the Catholic-school group. I am a Catholic-school teacher.

The president's proposed voucher system, which includes public and private schools, is a first step toward involving all schools in reform and change—if resistance to the idea of vouchers, as you noted, can be overcome.

Catholic schools educate over one-tenth of our nation's students and do so at half the cost of public schools.

The average student in Catholic schools

scores higher in standardized tests than the nation's average. Catholic schools' success with minority students and potential dropouts is well-documented.

And Catholic schools can work well with private business.

*Susan T. Guldberg  
Stillwater, Minn.*

## A Price Update

Thanks for mentioning our Catalyst publication *Women in Corporate Management: Model Programs for Development and Mobility* in January's *Women In Business* section ["For Your Reading List"].

The publication has a new price, however. It is \$85, or \$70 for Catalyst contributors.

*Debra Scheinholtz  
Director of Communications  
Catalyst  
New York*

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# Entrepreneur's Notebook

By Ernesto Bravo

## Always Do Whatever Is Most Productive

**W**hen you're starting out in a business, it helps to remind yourself of what companies must do to succeed: They must pay attention to what matters.

My version of this basic truth is a slogan I put on my wall when I started my company almost four years ago: "I will do the most productive thing possible at every given moment."

My firm, Alfa Southwest Corp., in National City, Calif., near San Diego, helps U.S. manufacturers who wish to make their products in Mexico. Many people refer to companies like mine as shelters because we give protection from the outside elements—in my case, the intricate bureaucracies that affect doing business in Mexico.

Alfa's services include providing customers with a Mexican corporation, which serves as employer. Alfa hires employees, supplies bilingual management, handles required government documentation and customs paperwork, and leases the appropriate building to suit the customer's needs.

By the end of our fourth year, our customer billings probably will have passed the \$1.4 million mark, and Alfa's employee population will have climbed to 360 from the original two: my wife, Norma, who is office manager, and me.

But getting to this point hasn't been easy. Although I had been in the shelter business for more than 20 years with a San Diego company that worked out of Tijuana, Mexico, I found my first year in my own business to be the ultimate test.

How would I overcome those unexpectedly frequent first-year fires?

How would I find time to wear the hats of sales manager, quality-control supervisor, personnel manager, accountant, and computer programmer?

How would I get clients when so many companies were hesitant to take a chance with a first-year company?

I didn't know then—and I'm not sure I know now. All I knew was that I had to do

decision has given me much greater inner strength.

After the first year, when we had some clients, I decided to forgo the search for new clients and concentrate instead on building a more solid foundation with our existing clients and employees. I had seen other shelters fail because they neglected their existing clients and employees while they searched for new clients. What could be more unproductive than losing your company?

I put a lot of effort into employee training, recognition, and incentives. I also listened to what was going on in the offices and on the manufacturing floors. These practices resulted in increased efficiency, which was a boon to the few clients we then had. With efficient operations, they became more price-competitive in the global marketplace, especially with their Asian competitors. The increase in their sales in the U.S. meant they needed to hire more workers through me for the Mexican plants.

Employee efficiency turned out to be a form of sales tool for us. Prospective clients talked to our existing customers and discovered that they were a small but extremely happy clientele. Their satisfaction brought us more clients.

All of our business associations must be win-win. That means we may have to forfeit short-term financial gain for long-term reputation; we must do the most productive thing possible at every moment.



Ernesto Bravo: "Finding the right personnel is essential."

whatever would be most productive (not necessarily the least stressful), which also means doing what is in the best interests of the business for the long term.

Often that meant doing what I disliked. For example, I spent countless hours interviewing candidates for key positions—a task that I find challenging but not enjoyable. Yet, like managing cash flow, finding the right personnel is essential if a business is to survive.

I also concentrated on the simple things that are important to any service organization: the cold calls, the late-night writing of proposals, the extra attention for employees.

One particular first-year challenge was a customer's request that I falsify a U.S. customs document to cut down his import duty. I refused, and I dropped the customer, which we so desperately needed at that crucial start-up stage of the business. I chose what I thought was the right course. What I did was also the most productive course.

We survived and prospered, and that

Ernesto Bravo is president of Alfa Southwest Corp., in National City, Calif.

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to *Entrepreneur's Notebook*. Write to Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

## What I Learned

*"Handling problems is an opportunity to improve and show employees and customers what we're all about. If there were no difficulties, our customers would not need our service. In turn, facing each problem becomes for us a challenge to discover the most productive thing we can do."*



# Dateline: Washington

Business news in brief from the nation's capital.

## LEGISLATION

### Economy And Health Care Are Top Issues On Capitol Hill

Conflicting economic and health-care policies dominate the legislative agenda as President Bush and the Democratic-controlled Congress begin their election-year battles.

Key House committees are looking into proposals for cutting taxes to increase consumers' purchasing power, and they are considering an extension of jobless benefits beyond the weeks that were added late last year in reaction to rising unemployment.

In the Senate, the leadership is planning prompt action on the "play-or-pay" approach to medical insurance. That proposal would require employers to provide coverage to workers or pay taxes into a fund that would provide the coverage.



Job creation should be the goal of economic policy, all sides in the debate agree.

Bush, on the other hand, has offered a broader economic plan. His plan calls for tax cuts but also has elements that have incurred Democratic opposition in the past, including a reduction in the capital-

gains tax rate and an easing of federal controls on business.

The president's health-care proposals would rely substantially on incentives, such as tax credits, rather than government mandates, in expanding medical coverage.

The economic-policy and health issues being addressed as priority issues by the majority leadership on Capitol Hill are also those on which Democratic presidential hopefuls consider President Bush most vulnerable as he begins campaigning for re-election in this November's election. (Editorials on 1992 legislative and political activities and on health issues appear on Page 67.)

## INTERNATIONAL TRADE

### Executive Sees New Policy Role For Business

President Bush's recent trip to Asia was aimed at signaling foreign leaders worldwide that "U.S. business interests and U.S. export [promotion] are very important parts of our government's policy now," says C. J. Silas, chairman and chief executive officer of Phillips Petroleum Co., based in Bartlesville, Okla.

Silas, whose career with Phillips includes extensive experience in its international operations, was one of about two dozen U.S. business leaders who accompanied President Bush on a 12-day trip in January to Australia, Singapore, Korea, and Japan.

Silas made the trip in his capacity as chairman of the U.S. Chamber of Commerce.

"It was the first time [that President Bush] had taken business leaders on that kind of diplomatic trip, which other heads of state do all the time," noted Silas. He said that the inclusion of the business executives "was the president's way of signaling that economic security is a key element of America's overall national-security strategy in the post-Cold War era."

However, Silas said, the president "made it real clear during the trip that he's not out to manage trade [in order to reduce America's trade deficit]. He's trying to encourage trade... and he's trying to get the private sectors [of the U.S. and foreign countries] to talk with each other and work out new trading relationships."

## THE ECONOMY

### Economists Offer Prescriptions For Growth

Even after the recession ends, the U.S. economy will limp along unless the government cuts federal spending and taxes and spurs savings and investment.

That was the consensus view of four prominent, independent economists who presented their views on revitalizing the economy during a mid-January conference organized by the U.S. Chamber of Commerce and co-sponsored by eight trade associations. More than 200 business executives attended the conference.

The panelists aimed at the same goal—restoring the gross national product, the nation's output of goods and services, to the post-World War II average annual growth rate of 3 percent. GNP is projected to grow only 2.2 to 2.5 percent annually for the rest of the 1990s.

To boost growth, the panelists generally agreed, Congress should:

- Balance the federal budget, or at least make deep spending cuts.
- Cut the tax rate on capital gains.
- Restore investment tax credits.
- Increase spending on infrastructure.

The panel included Allen Sinai, chief economist for The Boston Co.; David Wyss, chief financial economist for DRI/McGraw Hill; Gary Robbins, president of Fiscal Associates Inc.; and Laurence Meyer, president of Laurence H. Meyer and Associates.

Lawrence A. Kudlow, a former U.S. Treasury Department official who is now chief economist for Bear, Stearns & Co., Inc., was the moderator.

George V. Grune, chairman and chief executive officer of The Reader's Digest Association, Inc., of Pleasantville, N.Y., says that "Tony has left the [Postal Service] with a strategic plan in place, an automation plan that should keep postal increases under the rate of inflation, and a fair labor settlement."

Early in his four-year tenure, Frank proposed the largest rate increase in Postal Service history but has since begun implementing major cost-cutting initiatives. He is now returning to the private sector.

## POSTAL COSTS

### Outgoing Postmaster General Earns Praise From Mailers

Anthony M. Frank gets generally high marks from business for his cost-cutting efforts as he prepares to leave his job as postmaster general.

While "there is still much to be done in dealing with [Postal Service] costs and pricing," says Jonah Gitlitz, president of the Direct Marketing Association, in New York, "the fact that we are on the [right] road is due largely to Tony Frank's initiative and leadership."



# Managing Your Small Business

*Home-based firms' strategy to become discovered; tips for obtaining surety bonds; "report cards" on employees.*

By Bradford McKee

## HOME-BASED BUSINESS

### Major Exposure For A Minor Cost

Home-based business owners seeking low-budget marketing strategies might consider an approach used in Elgin, Ill.

An exposition held in the community library gave three dozen firms a bit of greatly needed exposure to potential customers and also showed that marketing techniques for small firms need not be expensive.

The Home Based Business Expo, organized by entrepreneurs Hilma Nelson and Nancy Haas, attracted 500 people interested in the goods and services offered.

It was an encouraging turnout for a group of entrepreneurs who have few other avenues to gain exposure.

Elgin's city government places more restrictions on the activities of home-based businesses than on storefront firms, says Nelson, owner of H.A. Nelson Design & Layout Etc., a graphics com-

pany. "It's very different when you have a business at home," she says. "You're not allowed to put up any signs to advertise your business. A lot of [advertising] is word of mouth, but until it gets out, you're struggling."

Moreover, a local group of storefront-business owners has a fair every winter, Nelson says, but home-based firms don't take part. A major reason is cost, says Haas, principal of Nancy's Needleworks, a sewing concern. A booth alone at the storefronts' fair costs \$300 to \$500.

In contrast, the home-based firms had to pay only \$85 for a place at their expo. That cost, coupled with local news-media coverage, amounted to inexpensive marketing for each firm—about 17 cents per passerby.

Indeed, marketing rather than sales was the purpose of the expo. Haas says, "We were trying to keep it very business-like and professional." The key? "No selling," she says. If there had been, it would have become "a craft show."



Organizers of a fair for home-based firms: Hilma Nelson, left, and Nancy Haas.

## SUBCONTRACTING

### Surety Bonds: A Necessity Becoming Harder To Get

To get work nowadays, subcontractors generally have to obtain their own surety bonds.

The weakness of the economy is making prime contractors less willing to provide surety bonds for subcontractors, and they in turn are finding the bonds harder to get, according to the American Subcontractors Association.

Plenty of bonds are available, says Dick Minick, president of Contractor Resources Inc., a construction-insurance agency in Albuquerque. But because the economy is sluggish and construction markets are shaky, he explains, "the underwriting requirements are being adhered to more closely than they ever have been."

Edith James, president of J & J Installers Inc., a St. Louis steel-erection company, recently had a hard time get-

ting a \$15,000 union-required bond to guarantee worker benefits—even though she had tried to back the bond with her own cash.

"It was a horror," says James, who has been in business 15 years.

Obtaining surety bonds has been difficult for many established companies,

experts say, but it may be even worse for lesser-known firms or start-ups.

For firms seeking bonding, says Minick, "the advice historically given has never been more true." That advice, as recommended by the American Subcontractors Association, is detailed in the box below.

### How To Obtain A Surety Bond

Here are recommendations offered by the American Subcontractors Association:

- Find a professional surety agent or broker who:
  - Specializes in contractor bonding;
  - Represents other subcontractors and general contractors;
  - Represents several surety companies.
- To show you can perform, give the surety agent:
  - Resumes of your key employees;
  - A list of successfully completed jobs;
  - Trade references;
  - Company plans and objectives;
  - Reasons for wanting a particular job.
- Find a CPA who:

Knows the financial-statement requirements of surety companies;

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For more information, call the American Subcontractors Association, at (703) 684-3450.

## CORRECTION

### Social Security Wage Base

The amount of wages subject to Social Security taxes in 1992 will be \$55,500. This figure was reported incorrectly in our January issue.





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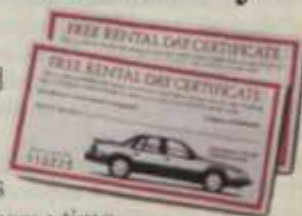
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## LOGISTICS

## Warehousing And Delivery Are Jobs For Experts

Since 1986, Sun Television and Appliances Inc., in Columbus, Ohio, has grown from seven stores to 20. The company's operations director, Ronn Melton, credits part of Sun TV's success to the company's use of logistics firms. The company saves money, cuts its paperwork, and frees up its employees' time, he says, by having other companies take care of its warehousing and delivery needs.

Warehouse operations and delivery of goods to Sun TV's stores are handled by Exel Logistics USA, in Columbus. Deliveries to customers' homes are made by JP Services, a small firm based in Pittsburgh.

By using a logistics firm with good productivity, Melton says, "you should save money." One wearisome task that Sun TV escapes by using a logistics company, he notes, is filling out the required logs for trips to make deliveries to places in Ohio more than 100 miles from Columbus.

Another company using logistics firms is Forest Saver Inc., a supplier of specialty papers in Bayside, N.Y. The company hired Stafford Enterprises, a Long

Island firm, to "pick and pack" its shipments.

"Since we handed [shipping] over to them, I'm on top of the office work a lot more," says manager Matt Magnozzi, and customer service has improved.

It costs more to use such firms, but it also saves time, he says. Moreover, he adds, Stafford's outlet on the West Coast may come in handy when Forest Saver decides to grow in that direction.



Sun TV's Ronn Melton, right, with employee Arnold Speert.

## PERFORMANCE

## A Rounded Approach To Employee Reviews

When an employee's performance is reviewed by just one manager, it can wind up "skewed," or biased, says Abraham Garde, vice chairman of Queens Group of Indiana Inc., an Indianapolis printing firm. It's better, he says, to give workers a more-rounded review.

At Queens Group, for instance, a performance review on a supervisor is carried out by an evaluation team of four or five employees who regularly work with that person, although not necessarily in the supervisor's department. Team members may be at various levels of responsibility within the company.

The team goes down a list of criteria that supervisors should meet, such as

decision-making ability, technical competence, and reliability. Team members rate the supervisor on a scale of 1 to 5 for best to worst. Then the ratings are merged to create a "report card" on the person, which is conveyed to the person reviewed by one or two members of the review team.

The singular critiques taken together create a "cross section" of evaluations of the person reviewed, Garde says. "You're getting a lot of opinion" in the process.

The rating criteria for such a system must be picked painstakingly, says Fred Schlissel, who set up the system for Queens Group and who also heads Knowledge Resources Inc., a Woodmere, N.Y., consulting firm. He says the evaluation should focus on attributes central to the skills necessary for a given job.

Jose Solache, in Calexico, Calif., expanded inventory in his discount home-improvement business. Solache got several small loans through a local merchants' group organized by MICRO, the Micro Credit Rural Organization, which is sponsored partly by Mott and helps give short-term loans and basic business training to entrepreneurs in the Southwest.

Coastal Enterprises Inc., a Mott-funded community-development group in Wiscasset, Maine, helped Carolyn Gray find enough capital to market her Country Fair Blue Ribbon Jams. Gray's very small business could fall prey to uneven cash flow because fruit for jams is seasonal. But more than \$11,000 in loans helped her get through the winters. She told the Mott Foundation, "If I hadn't had some help, I wouldn't have been able to carry on."

For more information on community-based lending for sole proprietorships, call the Mott Foundation, (313) 238-5651.

## STRATEGIES

## Use A Business Plan To Weather Tough Times

An entrepreneur needs a business plan at any time, but the need now is critical.

"In a tough economy, the market is unforgiving, and there's less margin for error," said Rhonda M. Abrams, author of *The Successful Business Plan: Secrets & Strategies* (The Oasis Press, \$21.95, soft-cover). In an interview with *Nation's Business*, she said, "The difference between success and failure is based on the ability to take a look at how you run your business and how you make your profits, and looking at the ways that your industry and your business are likely to change in the immediate future and anticipating that change."

Many entrepreneurs fear that developing a business plan will diminish their enthusiasm for their business or that they will find something that makes them—or an investor—uncomfortable, Abrams said. But those who draw up business plans usually spot new opportunities, she said. "Thinking through how you run your business often will help you serve your current customers better and make it more likely that they will bring new customers to you."

A business plan is first and foremost an internal document to help you reach your goals. But if you're looking for money, Abrams says in her book, keep in mind what funding sources need to know:

- Is the business idea solid?
- Is there a sufficient market for the product or service?
- Are the financial projections healthy, realistic, and in line with the investor's or lender's funding patterns?
- Are your key managers experienced and capable?
- Does the plan clearly describe how the investors or lenders will get their money back?

"Within the first five minutes of reading your business plan, readers must perceive that the answers to all these questions are favorable," says Abrams.

The book is sold in bookstores or by phone: 1-800-228-2275.

## ENTERPRISE

## A Strong Foundation For Struggling Start-Ups

Low-income sole proprietors often lack certain advantages that can make it easier to build a business, such as personal networks, collateral, and training.

Through several community-based loan funds, the Mott Foundation, in Flint, Mich., helps striving sole proprietors get what they need to make their businesses bloom: modest loans, guarantees for bank loans, and consulting services.

Among the successes proudly cited by the Mott Foundation is Hazel Anthony, a Chicago mother of two who now sells her





If she lived 30 miles down the road, she might have had a baby someday.  
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For more information about this subject and other ways that The Prudential is working for health care reform, write: New Approaches to Health Care, The Prudential, 751 Broad Street, 16th Fl., Newark, N.J. 07102-3777.

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# Making It

*Growing businesses share their experiences in creating and marketing new products and services.*

## Dodging Bullets In The PC Wars

By Michael Barrier

**T**im C. Bullard grew up in Lake Forest, a prestigious suburb on Chicago's North Shore; his father was a high-ranking executive in a powerful publishing company. Bullard's career path has not been what you might expect, given his background.

In 1973, when he was a junior, Bullard quit Western Illinois University at Macomb—he says he was about to flunk out—to go into selling real estate. But he needed a job to support himself at first, preferably a job that would let him finish work early in the day.

So, Bullard says, "I got a job as the only white guy in this all-black garbage company in Lake Forest." That job "was a very good educational experience for me," he says. "I worked with these black guys, going to [my] friends' houses, and their parents wouldn't even acknowledge me. But after 5 o'clock in the afternoon, it was 'Oh, hi, Tim, how are you?' I think it's really affected me throughout my whole life."

Bullard, who is now 40, no longer lives in Lake Forest, but in a comparatively modest suburb west of Chicago instead. He has made a couple of fortunes since his stint as a garbage collector, and he even retired once, at the age of 25, until he ran out of money. ("Being a total jerk," he says, "I flushed everything in a year.") He could probably live wherever he wanted, but his days as a garbage collector have left him unconcerned with appearances. Likewise, he has found himself drawn to a business lacking in the glamour that might attract other entrepreneurs: personal-computer rentals.

Bullard and his wife, Sue, own Computer Rental Corporation of America, a rapidly growing company whose revenues last year Bullard puts at \$25.7 million. Such rental firms have tended to be small operations, but the industry appears to be going through a consolidation like the one well under way among computer retailers. Bullard—who says that CRCA is already the largest company devoted exclusively to PC rentals—hopes that his company



PHOTO: T. MICHAEL KEENE

*"Right now," says Tim Bullard of his Chicago-area computer-rental business, "it's a stupid thing." But he sees a bright future.*

will emerge as a heavyweight.

That it will is no sure thing, even though Bullard already rents throughout the country, using local "affiliates," and has just bought a smaller company whose dozens of franchised outlets will extend his reach even further.

Because PC prices have fallen so rapidly, rentals have become more attractive to those corporate customers wary about committing to purchases or leases when they think that further price declines might occur. But the falling prices that make rentals appealing put the rental

firms themselves at risk. Rental rates must reflect current prices, and the rental firms will suffer if they can't rent their machines for enough to cover their costs.

"Anyone who buys anything right now is out of their mind," Tim Bullard says, "including me."

He got into the rental business 4½ years ago, when he bought a storefront Chicago rental firm with a stock of 32 PCs. Now CRCA owns 5,000 units that it rents to 7,000 businesses, many of them very large, from offices in Schaumburg, northwest of Chicago. The key to his rapid



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growth, Bullard says, has been service. He jumped out ahead of his competitors by offering more service than they did, because he knew, from his years as a management consultant, that businesses wanted it.

Now, Bullard says, "we deliver, we install, we load your software. We try to emphasize customer service so much that eventually they don't care about the prices"—which can be 20 or 30 percent higher than the cost of long-term leasing. In many cases, Bullard says, "the stuff never comes back"; companies assign outdated machines to less demanding users, at lower rental charges.

Such long-term rentals mean that Bullard doesn't have to send his people to install and remove PCs as often. Like-

wise, Bullard says, his use of high-quality brands pays off in fewer service calls. Bullard knows that providing a high level of service is not synonymous with a labor-intensive operation.

Stimulating rapid growth is one thing; managing it is another. Here Bullard took a leaf from the car-rental companies, by investing in a highly automated reservation system. "That's really key to this business," he says, "because otherwise you'd have to have a phenomenal amount of inventory." CRCA's Schaumburg offices have the cluttered, distracted air common to rapidly growing businesses—but you won't find a lot of PCs in the warehouse space out back.

Still, however efficiently the inventory is managed, it must be large enough that

machines are there when customers want them—and Bullard must pay for those machines. He has struggled from the start to scrape together the money he needs. He can draw now on a \$12 million line of credit, he says, but at "a very, very high interest rate, 16.5 percent." And over the past year, as plummeting PC prices have squeezed what CRCA can charge for its machines, its gross margins have shrunk by more than half.

"If I had it to do again," Bullard says, "I'd never do this. This is too hard—seven days a week, 10 or 12 hours a day."

"Right now," he says of being in the PC-rental business, "it's a stupid thing. But our philosophy has been that the decisions we're making today will pay off down the road."

## On A Washington Island, Two Entrepreneurs Grew Red Currants—And A Business

By Michael Barrier

**F**ifteen years ago, when Peter and Judith Shepherd bought 12½ acres on Maury Island, a 25-minute ferry ride across Puget Sound from Seattle, they thought they were going into the Christmas tree business. The following spring, they decided they were in the fruit business instead, when they discovered that the bushes on the land they had bought were covered with red currants.

Today, Pete, 50, and Jude, 44, grow very little fruit on their land. The name "Maury Island Farm" belongs not just to their property but also to the gourmet-jam-and-jelly company they started to make use of the red currants. The company now makes many flavors besides red currant jelly—in a remodeled service station on neighboring Vashon Island.

The Shepherds do plant some "test patches," Pete Shepherd says, "so that we have some basis for comparison and keep our hand in," but most of their fruit comes from other growers. Maury Island Farm makes preserves, toppings, jellies, and jams that have won national acclaim as some of the best from the Northwest.

The Shepherds first settled on Maury Island more than 20 years ago, when they were looking for a weekend retreat. Within a couple of years, they were living on the island full time and commuting to their government jobs in Seattle. Then the red currants came along.

At first, the Shepherds sold only the fresh fruit. They eased into the jam business when one of their customers, a chef at a Seattle restaurant, asked them to make a red-currant jelly for him. "His taste influenced us," Pete says. "We tried to make it as tart as we could and still jell." In other words, the Shepherds did

their best to make the flavor of the fruit dominant—now a hallmark of all their products.

The Shepherds began selling their jelly to gourmet shops, and then they got their big break: A buyer for Frederick & Nelson,



PHOTO: T. MICHAEL KEZA

Pete Shepherd, left, and his wife, Jude, right, pitch in to help make their Maury Island Farm preserves.

a local department-store chain, sought them out and offered them the chance to make the chain's private-label jellies, about 15 flavors in all. "That assignment gave us a lot of credibility," Pete says.

In 1980, Pete Shepherd quit his job as

an assistant to John Spellman, the Republican county executive, rather than follow Spellman to Olympia, the capital, after he was elected governor of Washington. Jude Shepherd worked as a finance officer for the Seattle schools until 1986. After that, both Shepherds worked full time for Maury Island Farm, with some help from their three children.

In 1987, the Shepherds made an in-state stock offering that raised \$185,000; they used the money to buy equipment, including a \$20,000 machine that fills the jars. Selling off part of their company was "a little bit traumatic," Pete says, "but we realized that we were simply going to have to bring in more capital."

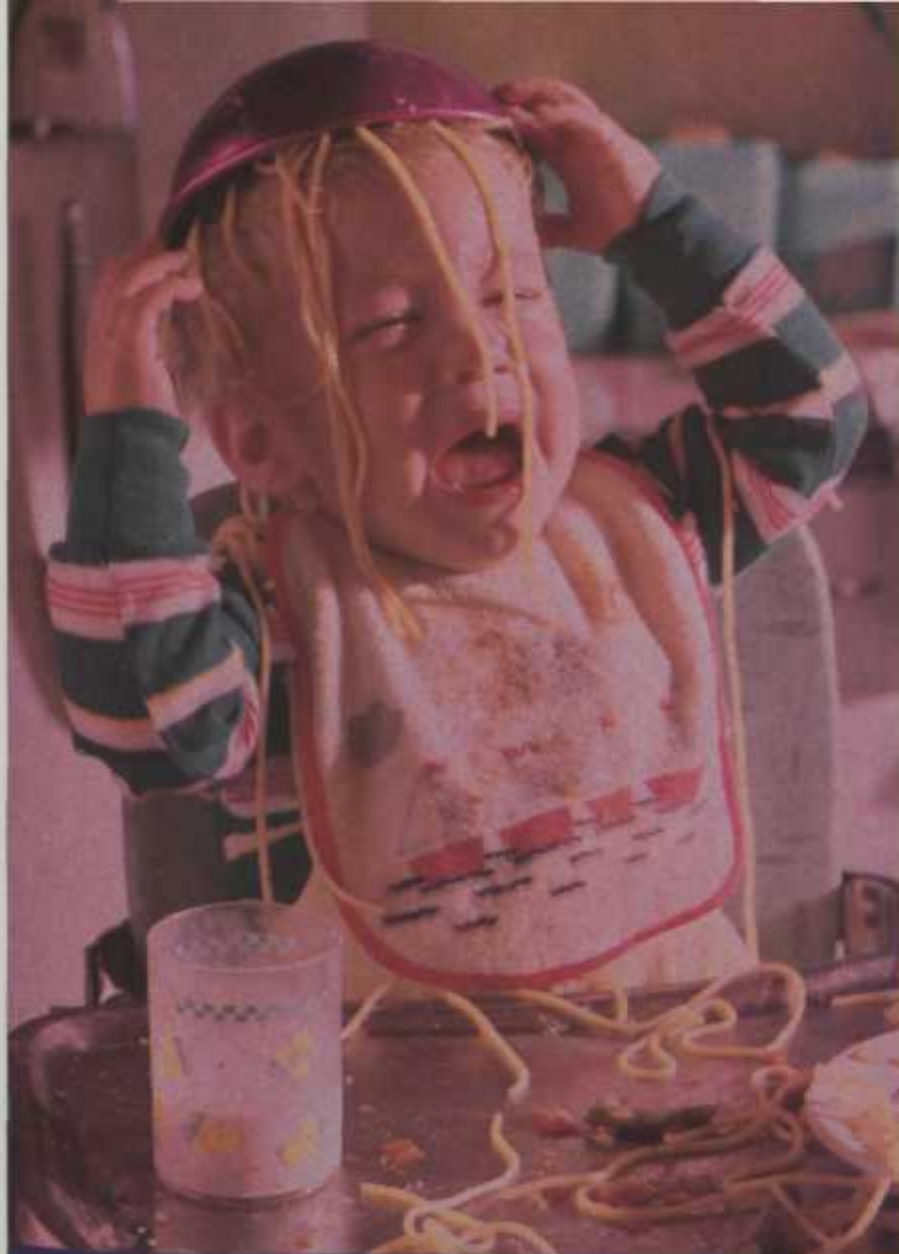
A second offering is likely sometime this year, largely to finance an aggressive expansion into mail order. Maury Island Farm already sends out catalogs, but on such a small scale, Pete says, that "all we're doing is prospecting."

Maury Island Farm is comparable to a premium winery; like a wine maker experimenting with the pressings from different vineyards, the Shepherds have combined different varieties of raspberries, to see what flavors result. And like many premium wineries, Maury Island Farm is at once highly visible and very small.

The Williams-Sonoma retail chain sells Maury Island toppings; Maury Island preserves grace breakfast tables at the Westin Hotel in Seattle; Maury Island Farm packs the Nordstrom department-store chain's private-label preserves; but the company that sells these sophisticated products is a tiny one, with annual revenues of \$400,000 and eight employees.

"We need to be bigger than we are now," Pete Shepherd says, "just to be efficient." As part of the plan for growth, he will yield the CEO's job to a professional manager this year; Jude will end her active role in the company. While the new CEO runs Maury Island Farm, Pete says, "I'll tend to the soul of it."





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# A Delaware Firm Flaps Its Wings And Soars By Adding Fun To Kids' Fashions

By Josephine Eccel

"When we started out," says Marc Ham, "a lot of children's clothes tended to be conservative and not very fun." He and Carole Bieber are co-owners of Flapdoodles, a children's clothing company based in Newark, Del. They have built a highly successful business on their belief that good children's clothes don't have to be boring.

"Kids like our clothes," Ham says, "because they are comfortable, and [the kids] can be creative and use their imagination dressing themselves." Flapdoodles' loose, colorful, mix-and-match casuals with kid-tested toughness are sold in more than 800 upscale specialty and department stores across the United States, and in Mexico, Canada, and Japan.

Ham, 29, Flapdoodles' president, and Bieber, 37, vice president and designer, entered the fashion business by offering

Ham and Bieber trace their company's roots to a brainstorming session in the living room of Bieber's parents' home in Newark in the summer of 1985. The partners had met a year before, when they were both working for a Newark retail clothing store—Ham as a clerk, Bieber as a free-lance commercial artist—and they were looking for a way to make money together.

Bieber's dressmaking skills and art training, coupled with eight years of teaching elementary school, gave her confidence that she could create clothing that would appeal to both children and their parents. "I knew zero about kids' clothing," admits Ham, who has a degree in sociology from the University of Delaware. But, he says, they had "this gut feeling" that they should go into business; "we never thought we couldn't do it."

and growing almost from the start. They worked hard, cut costs while improving quality, and cultivated strong personal relations with suppliers and retailers.

"We worked from the time we got up to the time we went to sleep, and we ate a lot of beans and rice," Ham recalls. "We lost \$27 in the first three months, but we've made a profit ever since then."

When garments' workmanship was unsatisfactory, Bieber and Ham sat down at sewing machines and made clothes themselves, until they found a contractor they trusted. They shipped orders in used boxes from local stores, a practice that, along with the absence of plastic pre-packaging and hang tags, has become a cost-cutting Flapdoodles trademark. Although Flapdoodles now grosses around \$20 million annually, Ham says, and exceeds the industry's average profit margin of 5 to 10 percent, he still personally approves most expenditures.

In six years, Flapdoodles has grown from a two-person operation, with college students folding and packing between classes, to a company with 130 employees and a string of seven showrooms across the country. It has outgrown its space in Newark four times and now occupies a 70,000-square-foot suburban office, which houses the administrative, drafting, dyeing, warehousing, and shipping departments. In addition, the company employs close to a dozen outside contractors to print fabric and construct the garments.

Flapdoodles' success in managing its rapid growth led to its being named a 1991 Blue Chip Enterprise for Delaware. The nationwide Blue Chip program recognizes resourcefulness in solving problems, and it is sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business*.

"I think what attracted [retailers] at first was the clothes," says Bieber, who still originates all the designs herself. "They were novel, but then it was our willingness to work with them and our standards that kept them. We responded to what they wanted." In dealing with customers, employees, or contractors, Ham says, "we treat them like people and are in tune with their needs. Our relationships are based on trust."

Certain that Flapdoodles is on the right track, Ham talks about plans to expand its headquarters in the near future, while Bieber focuses on experimenting with new fabrics and more trendy styles. The mother of a 2½-year-old daughter, Bieber now divides her time between an office at home and one at the company's headquarters. She relies on Ham to handle the day-to-day management of the firm.

"I've become more confident with new ideas," she says. "It's exciting. Over the years, this has been an incredible creative outlet. I never thought it would be this much this fast."



Carole Bieber and Marc Ham aimed to put fun into children's clothes when they introduced their bright-colored, mix-and-match Flapdoodles line.

high-quality, all-cotton knit basics—T-shirts, turtlenecks, shorts, leggings, and sweats—in a rainbow of 15 colors. That was in the mid-1980s, when much children's clothing was turned out in very traditional styles in a limited range of colors. Today, Flapdoodles still sells the basics, but its label also appears on close to 150 styles of mid- to higher-priced clothes, swimwear, and accessories.

Josephine Eccel is a Wilmington, Del., free-lance writer.

Working in a one-room apartment, Bieber and Ham silk-screened and block-printed Bieber's original designs onto ready-made white cotton T-shirts and shorts. Then they dyed the garments eye-catching colors for display at the fall International Kids Fashion Show in New York. They got a \$2,700 bank loan—using Bieber's car as security—and rented a booth, and they came away with their first eight orders.

Operating on a shoestring, the partners managed to keep their business profitable



# Protecting OSHA From "Reform"

By David Warner

**S**oon after the Occupational Safety and Health Act was signed into law in December 1970, a House Small Business Committee panel looked into the way the law was being implemented.

The subcommittee's report said that business people had "a deep and sincere desire to provide safe working conditions. However, their efforts are being met with a variety of obstacles, primarily from the federal government."

The problems included the inability of a company to undergo a voluntary safety inspection without incurring charges under the law.

That and most of the other difficulties

that had been cited in the report were resolved eventually.

Today, however, there's a threat that the federal government will create new obstacles to the effective working of the nation's basic law on workplace safety. Proposals pending in Congress would impose vast new paperwork burdens on employers, give workers substantial authority but no accountability in major management areas, and broaden the circumstances under which employers could receive jail sentences for noncompliance with the proposed new regulations.

Backers of the sweeping proposals to overhaul the Occupational Safety and Health Act of 1970—mainly, the AFL-

CIO—say the changes would ensure every American worker a safe and healthful workplace.

Business counters that the revisions under discussion would undercut safety goals. Damon Tobias, manager of labor and human-resources issues for the U.S. Chamber of Commerce, says that the legislation as drafted "would do little if anything to enhance workers' safety and health" but would add to business's regulatory burden.

Robert Stamstad, president of Suratec Products Co., in Poynette, Wis., says that "safety is the top priority" at his company, but he says the proposed changes would "create an adversarial [employer-em-



PHOTO: BRUCE SCHWAB

Robert Stamstad, president of Suratec Products, believes OSHA reform legislation could hurt his employer-employee relations.



# Business is moving to head off changes that could undermine job-safety laws.



ployee] atmosphere right off the bat." Under the present law, he says, it's a case of "two parties trying to solve problems."

Says Mike Lail, safety director for Raines Brothers, a general contracting firm in Chattanooga, Tenn.: "I really don't think that [the legislation] will truly improve safety at all. I think it will provide one hell of a paperwork burden, especially for small companies."

**A**t the center of these concerns being voiced so strongly by business people are OSHA "reform" bills sponsored by Sens. Howard M. Metzenbaum, D-Ohio, and Edward M. Kennedy, D-Mass., and by Rep. William D. Ford, D-Mich. There have been several hearings on the measures, and additional hearings are scheduled to be held from now through April in the Senate and House labor committees.

The legislation, titled "The Comprehensive Occupational Safety and Health Reform Act," could come up for a vote in either or both houses by May, according to congressional staff members.

Many business lobbyists working on the issue believe Congress will amend the 1970 safety-and-health act this year, but the big question is whether the final product will contain the provisions most onerous to business.

In claiming a need for expansion of safety laws, backers argue that work-related accidents and illnesses are increasing. Sponsors of the legislation also cite such workplace tragedies as the fire that killed 25 workers last September in a chicken-processing plant in Hamlet, N.C. Fire exits at the plant were found to be locked or blocked, and the plant's fire-safety procedures were said to have been inadequate.

Workplace accidents often have been followed by successful campaigns for tougher occupational safety and health laws in mines and factories, and the 1970 Occupational Safety and Health Act was the culmination of efforts, particularly by the AFL-CIO, to consolidate health and safety laws.

Organized labor historically has made

workplace safety and health a top priority. But the health-and-safety issue has also been used as an organizing tool. The early labor movement looked for members in industries that by their nature at the time were hazardous, such as coal mining, railroads, and textiles, offering as a benefit of joining the union safer and healthier working conditions through collective bargaining.

While the 1970 law on workplace safety constituted a massive federal response to

hearing on his bill, Metzenbaum stated: "Around this country, Americans are literally putting their lives on the line to hold a job. When it comes to workers' safety and health, we have accomplished so little."

Such assertions are drawing sharp disagreement from employers, safety professionals, and OSHA. While saying that there is always a need to improve occupational safety and health, these groups and the agency maintain that the



Raines Brothers' Safety Director Mike Lail, left, shown with job supervisor Johnnie Hancock, says the current OSHA law works fine.

the cause of workplace safety, it has nevertheless come under increasingly strong criticism from organized labor. Margaret Seminario, director of occupational safety and health for the AFL-CIO, told a congressional panel last September that the 1970 law—which created the Occupational Safety and Health Administration—and the OSHA program are "failing to protect millions of workers."

And organized labor's supporters on Capitol Hill are sounding the battle cry for amending the law. In a congressional

existing law has worked well and that their joint efforts to comply with it have made workplaces safer and more healthful.

In the past 20 years "we've accomplished a great deal," said Gerard Scannell in an interview with *Nation's Business* shortly before he left his post as assistant secretary of labor and OSHA administrator in January. "Is it sufficient? No, I'm not satisfied as long as workers are being injured and killed."

"You always want to improve," says





Labor Secretary Lynn Martin. She points out that despite an incredible increase in the size of the nation's work force, the rate of workplace deaths has been cut in half since the safety act was passed in 1970—from 18 per 100,000 workers that year to nine in 1990. (In the same period, injury and illness rates also fell. See the chart below.)

That progress was made, Martin adds, against a background of vast change: "We've had more and more complex manufacturing and workplace hazards and unique situations occur; we have had an increase in the complexity of the health and safety issues we're examining; we have had incredible leaps in new technology that we have to keep up with, too."

"As these new industries have grown, we've been able to keep step, though not perfectly."

In addition to fostering progress in preventing workplace mishaps, the law has brought greater awareness of workplace safety and health to shop floors, boardrooms, and front offices across the country.

"The overriding benefit that the act has brought to American industry is a heightened awareness of health and safety and the need for health and safety programs," says Robert Gombar, an attorney specializing in OSHA matters with the Washington, D.C., law firm of Jones, Day, Reavis & Pogue.

Organized labor, however, contends that employers have not given the health and safety issue the attention it requires, and labor maintains that stronger laws are needed. The AFL-CIO's Seminario told *Nation's Business* that there has been no broad development of "a recognition and awareness and a level of activity around safety and health that needs to be in place to really deal with workplace safety and health problems."

While saying that "there's room for improvement," Scannell maintains that the question is "whether legislation is needed to make that improvement." His answer: It is not needed.

Nevertheless, lawmakers know the potential political consequences of opposing legislation that purports to enhance workers' safety and health, and business is apprehensive that the pending legislation might prove attractive in this election year.

Among the bills' major proposals are those that would:

- Mandate that all companies establish written safety and health programs. These would actually be voluminous documents detailing methods and procedures for identifying, evaluating, documenting,

correcting, and investigating occupational accidents, illnesses, and fatalities at each work site and for providing safety and health services, including first aid.

- Require that employers of 11 or more workers set up health and safety committees composed of equal numbers of employee and employer representatives.

- Grant employees new rights, including the right to contest the type and amount of fines levied on employers by OSHA.

Expanded duties of the safety-and-health agency under the bill would include the investigation of all complaints, including those made anonymously. Penalties for violations of the law, including prison time, would be increased. (A detailed description of the legislation appears on Page 19.)

The most onerous aspect of the legislation for an employer may be the mandated joint safety and health committee. This

panel could review the employer's safety and health plan; conduct its own investigations of workplace accidents, illnesses, and fatalities; review injury and illness records that an employer is required to keep; conduct work-site inspections "at least once every three months"; and accompany OSHA agents on inspections of the plant.

The committee also could make recommendations about an employer's safety plans and about correcting safety and health hazards, and the legislation would allow any member of the committee to submit minority recommendations.

The provision for minority reports could pose a significant problem for business, says attorney Gombar. The health-and-safety agency, which would have access to committee recommendations, could cite an employer for a "willful" violation as a result of a workplace situation identified by one committee



Attorney and OSHA expert Robert Gombar, left, and Stephen A. Bokart, vice president and general counsel of the U.S. Chamber of Commerce, discuss alternatives to the proposed OSHA-reform measures.

### PRIVATE-SECTOR OCCUPATIONAL INJURY AND ILLNESS RATES PER 100 FULL-TIME WORKERS



Overall, work-related injury and illness rates per 100 full-time workers per year declined between 1971—when the Occupational Safety and Health Act was implemented—and 1990. The rates have increased slightly since 1986 as a result of better employer reporting of incidents and increased employer awareness of injuries and illnesses, according to the Occupational Safety and Health Administration.

Source: U.S. Department of Labor, Bureau of Labor Statistics

\* Excludes agriculture, forestry, and fishing industries

CHART: DEBORAH J. HUMPHREY



# Major Provisions Of The Legislation To "Reform" OSHA

Sens. Edward M. Kennedy, D-Mass., and Howard M. Metzenbaum, D-Ohio, and Rep. William D. Ford, D-Mich., introduced legislation Aug. 1, 1991, to overhaul the Occupational Safety and Health Act of 1970. Following are some of its major provisions.

## Employers

The revisions would mandate, among other things, that employers implement a written safety and health program detail-

could investigate workplace incidents or complaints regarding safety or health hazards.

The committee could make recommendations to the employer to improve safety plans and correct hazards, and "any member of such committee" could submit separate views on such recommendations.

## Employees

The proposed changes also would permit employees to challenge as inadequate any

■ Conduct work-site inspections in response to any complaints, including anonymous ones. Currently, OSHA responds only to formal, signed complaints from affected employees.

■ Promulgate standards on various health and safety issues, including chemical-exposure monitoring, ergonomic hazards, and medical surveillance, within specified time frames.

■ Establish a "special-emphasis" inspection program to target high-risk industries and operations.

## Other Provisions

The legislation also would:

■ Eliminate OSHA's use of cost-benefit



PHOTO: T. MICHAEL KEZIA

**Sen. Howard Metzenbaum:** *Sounding the cry for organized labor.*



PHOTO: GARY STEIN-FOLIO, INC.

**Rep. William Ford:** *Supports efforts to overhaul the OSHA law.*

ing methods and procedures for identifying, evaluating, documenting, correcting, and investigating occupational accidents, illnesses, and fatalities at each work site.

The plans also would have to include methods and procedures for providing safety and health services—emergency response and first-aid procedures—and for allowing employees to participate in the implementation of the safety and health program, responding to recommendations of mandated safety and health committees, and providing safety and health training and education to employees.

Additionally, employers would have to provide refresher training to workers each year and also when working conditions or operations are changed in ways that could expose employees to new or different health and safety hazards, or when safety and health standards or regulations are changed.

Companies with 11 or more workers would have to establish at each work site a safety and health committee composed of equal numbers of employer and employee representatives.

Committee members could review the company's safety and health program and its injury and illness records, and they

citations and fines by the Occupational Safety and Health Administration against employers for health and safety violations.

Workers also could ask that citations be amended to include alleged violations not cited by OSHA. And they could contest not only the time allowed for correction of hazards—which workers currently can do—but also the nature and scope of the hazards.

In addition, if the legislation is enacted, employees could refuse to work if they have a "reasonable apprehension" that their duties would result in serious injury. Employees who would cite this provision in refusing to work would have to be paid. The legislation would penalize employers who discriminated against employees who refused to work because of a perceived hazard.

## The Occupational Safety and Health Administration

OSHA would be required to:

■ Investigate all "serious incidents"—defined as the hospitalization of two or more employees—as well as all fatalities. OSHA already probes workplace fatalities and incidents involving the hospitalization of five or more workers.

analyses when deciding whether to issue safety standards. The issuance of both health and safety standards would have to be based only on "feasibility." Courts have said "feasible" includes anything short of putting a company out of business.

■ Increase criminal penalties for "willful" violations of the health and safety laws that result in fatalities, from a maximum of six months in jail to 10 years for a first offense, and from one year to 20 years for subsequent offenses. The legislation adds a new section for willful violations that result in "serious bodily injury." First offenses would carry jail terms of up to five years, and subsequent offenses, up to 10 years. Monetary fines for violations that result in death or serious bodily injury could be up to \$250,000 for individuals and \$500,000 for corporations.

■ Require the National Institute of Occupational Safety and Health to establish a program to identify and notify workers who are at risk of suffering job-related injuries and illnesses.

■ Allow victims of workplace mishaps, or their families, to be involved in OSHA hearings and in determining citations and fines.





member but dismissed by the majority of the committee. A willful violation resulting in a serious injury to a worker would carry a penalty of up to five years in prison. A willful violation resulting in an employee's death would be punishable by a court-imposed fine, or imprisonment for up to 10 years, or both.

The legislation's mandate for a committee, Gombar says, "really tries to shift the focus of the [Occupational Safety and Health Act] much more toward being a labor statute and injecting the labor-management controversies" into the health and safety issue.

There's a potential for abuse, Gombar adds: "If you have a union, you have the potential for health and safety to become just one of the weapons—and one of the more powerful weapons—in the arsenal for war between the union and management; where health and safety are not the issues, they're just used as tools."

Gombar points out that employee-committee members could pressure employers during contract negotiations by threatening to file reports alleging hazards or to call for OSHA inspections.

In nonunion settings, where employee committee representatives would be selected by other workers in a "secret ballot," such a committee could create an adversarial relationship between labor and management, says Gombar, causing just the volatile atmosphere unions need to help organize workers.

In fact, an administrative law judge already has ruled that joint labor-management committees, whether in union or nonunion companies, are de facto employer-dominated unions, a violation of the National Labor Relations Act. The case is being reviewed by the National Labor Relations Board.

Robert Stamstad of the Suratec firm, whose 40 workers make molded plastic parts for a number of industries, has an employee safety and health committee, but he opposes the type of panel that would be required under the reform legislation.

"Who's to say that in another company such a committee should be set up like mine?" he asks.

"We've tried for years and years and years to break down the 1950s mentality that the unions put in place—us against them," Stamstad says, referring to a managers-vs.-employees attitude. "A law like this is going to bring back the us-against-them mentality in its own subtle way."

Gombar says that "to the extent that labor and management can get along now, they are getting along. To the extent that

they aren't [getting along], the mandating of these health and safety committees will not help at all. It's not going to solve [health and safety] problems."

Safety director Lail of the Raines Brothers contracting firm is concerned that the legislation will result in enormous paperwork burdens for small companies, which, he says, typically "can't afford to hire someone to do that."

Lail says his company already is strained in trying to comply with OSHA standards. In addition to representing his company in opposing the legislation, Lail also serves on the safety and health committee of the Associated General Contractors, which last year testified in

Labor Secretary Martin says that companies are now pressing more aggressively for improved health and safety. Twenty years ago, she says, "they may have put up a sign saying, 'Be Safe.' But now not only is it a bottom-line issue... having a safe and healthful workplace is also an attractive tool in keeping the kind of work force we need.

"You have a convergence, not just of the law, not just of the Department of Labor's desire for a safe workplace, not just unions' or individual workers' concerns, but also corporations in a very analytical way recognizing that a safe workplace... is good business," says Martin.

After the Raines Brothers contracting



PHOTO: GOMBAR BRACK-BLACK STAR

**OSHA has accomplished much in 20 years, says former administrator Gerard Scannell, and to "change to something we know won't work would be a tragedy."**

opposition to the reform bill before the Senate Labor and Human Resources Committee.

**O**pponents of the OSHA revisions support the goal of improved workplace safety and health, but much of what would be mandated by the legislation is already being done voluntarily by business and administratively by OSHA, according to employers and the agency.

Marjorie Drucker, president of Drucker Health & Safety Management Inc., in Manhattan Beach, Calif., says her firm, which provides health and safety consultation services to companies, has seen an increase in business recently, especially among smaller companies. Health and safety, taken together, have become "one of those factors companies put into major business decisions now," says Drucker. "It's factored in like everything else. They see it as a bottom-line issue."

firm instituted a safety program in 1988 for its 100 employees, accidents fell from 25 in 1987 to just six in 1991, according to safety director Lail. The firm also saved considerably on its workers' compensation premiums—and without the type of pressure envisioned in the proposed revisions in OSHA enforcement.

Another indication of business's voluntary commitment to workplace safety and health is its adoption of industry standards. Organizations such as the American National Standards Institute, Underwriters' Laboratories, and the National Fire Protection Association—groups set up by business—develop occupational safety and health standards for various industries. Those standards often are more stringent than OSHA's. (When OSHA was implemented in 1971, it adopted many of those so-called national consensus standards as its own.)

The Building Trades Association and the Mechanical Contractors Association of America, for example, have published



their own safety manuals and guides to OSHA regulations for their respective member companies.

At the same time, OSHA has been getting tougher with companies that violate health and safety laws and has been handing out record fines, according to former OSHA administrator Scannell.

Last year was the first year that OSHA had a new penalty structure in place. In late 1990, Congress increased the fines for OSHA violations sevenfold. The fine for serious and less-than-serious violations rose to \$7,000 from \$1,000; for willful violations, the fine went to \$70,000 from \$10,000.

OSHA also has stepped up its criminal enforcement for egregious infractions. During 1990 and 1991, the agency made a total of 27 criminal referrals to the U.S. Department of Justice, compared with an average of three referrals a year during OSHA's previous 18 years, says Scannell.

OSHA is attempting to streamline the process for promulgating new standards and updating existing ones, and it is continuing to target high-hazard industries—such as construction and heavy manufacturing—for inspection. Both actions are called for in the reform legislation.

The agency has several programs to help companies make health and safety top priorities.

OSHA's Voluntary Protection Program is an effort to extend worker protection beyond the minimum required by existing standards. According to OSHA, businesses participating in the program have a 70 percent better safety and health record than nonparticipating companies in their industry. Firms that meet the criteria of the program are exempt from routine OSHA inspections for three years.

OSHA's consultation-assistance program is designed specifically for small companies. Under the program, an independent safety and health expert will conduct a free on-site consultation with an employer to evaluate the company's mechanical and physical work practices, identify potential workplace hazards, and review or help set up the firm's job-safety and health program.

The consultant presents his or her findings and recommendations to the employer, who must agree to correct serious hazards. No citations are issued, and violations are not forwarded to OSHA enforcement officials as long as problems are corrected.

Last October, OSHA launched "Project Safe Georgia," an initiative to improve the education of the state's small firms in high-hazard industries about workplace safety and health. A coalition of trade, insurance, and government groups is working with Georgia trade associations for several business categories, including

printing, restaurants, home building, auto repair, solid-waste collection, and lumber mills. The associations are to disseminate information to their members to help them identify effective yet inexpensive strategies for improving safety and health in the workplace.

If the program is successful in Georgia, says OSHA, it will be implemented in other states.

The agency's other efforts include training and education courses at its Training Institute, in Des Plaines, Ill. OSHA also gives grants to nonprofit organizations for safety and health education and training.



**Labor Secretary Lynn Martin says OSHA must have flexibility.**

**T**he work that OSHA does requires that it be flexible, says Labor Secretary Martin, and there is concern that legislative mandates could make the agency inflexible. "The last thing you want to do to an agency responsible for the health and safety of workers is preclude [it] from being able to quickly and flexibly answer responses," she says. "If you try to dictate that this is an industry you have to watch, there may be three others you miss."

"Our concern with legislation, which one assumes is well-intentioned, is that by the time it's in effect it actually might do worse than its originators would have ever wanted because you remove the flexibility."

"American workplaces are complicated," says Scannell. "They're different... so that the one-size-fits-all approach that the legislation is trying to impose won't work."

What would work, Scannell and others believe, would be increased resources and

greater flexibility for OSHA, and more voluntary programs that create a cooperative relationship between OSHA and employers. "I think some additional flexibility would be helpful," says Scannell, adding: "I'd love to put more resources into consultation and outreach programs. Where we've used them... they've been very successful and welcomed by industry."

Scannell also believes that the agency should be able to rely on voluntary industry guidelines rather than regulations. He points out that issuing guidelines would not require a lengthy review process, as is now the case when regulations are issued. "More guidelines would help employers," he says. "It's outreach."

Tom Murray, an industrial engineer with the American Insurance Service Group's Engineering and Safety Service, in New York, who has worked on health and safety issues for more than 30 years, says: "OSHA has all the laws they need. They need more people; they need more money." The Engineering and Safety Service makes health and safety recommendations to insurance companies that write loss-control and workers' compensation policies for business.

"To tell OSHA, 'Here's 8,000 more things you ought to do,' without giving it the resources is ludicrous," says Stephen A. Bokart, a vice president of the U.S. Chamber and head of its legal affiliate, the National Chamber Litigation Center.

Bokart, who co-authored a book on the 1970 OSHA law for the American Bar Association, is a member of a U.S. Chamber task force examining alternatives to the pending OSHA legislation that would focus more on workers' safety and health.

One of those alternatives would be a provision to redirect fines collected from companies that violate OSHA standards. Rather than go to the general treasury, the fines would be used to help educate businesses—particularly small firms—about occupational safety and health and to help support OSHA's small-business consultation program.

The basic question facing Congress, beyond the details of the changes proposed in the pending legislation, is whether the current system is "broke" and needs fixing.

On the business side, Mike Lail of Raines Brothers says: "Why change the law? What we have now is working."

And drawing on his experience as head of OSHA, Scannell says of the health-and-safety law: "For 20 years we've worked with what I think has been a very successful act. It has not been too rigid; it's given us flexibility. To change after 20 years—and change to something we know won't work—would be a tragedy."



To order reprints of this article, see Page 56.



## EDUCATION

# "Schools For The 21st Century"

By Joan C. Szabo

**E**ducation will be the key to success in "the extraordinarily competitive world" of the 21st century, but this country's schools are not now up to that challenge, President Bush told a meeting of state and local business and education leaders.

He declared: "We need schools for the 21st century, not museums to the failed experiments of the past." The president told his audience of representatives of state and local chambers of commerce that "you have to get this message to people in your community."

Bush delivered his address at an America 2000 Community Leadership Conference, a two-day meeting held in mid-January at the U.S. Chamber of Commerce. The Center for Workforce Preparation and Quality Education, an affiliate of the U.S. Chamber, and the U.S. Department of Education held the seminar to develop a strategy for implementing America 2000, which is the president's plan to involve all sectors of society in achieving excellence in education.

The U.S. Chamber established the Center for Workforce Preparation and Quality Education to provide business leadership in mobilizing, recognizing, and publicizing the leadership role that state and local chambers are providing in the drive to improve U.S. education.

The center has rallied more than 600 state and local chambers of commerce behind the president's America 2000 plan, and representatives of many of those organizations participated in the seminar.

The president's program is a national strategy designed to move the country toward the six national educational goals adopted in 1990 by President Bush and the nation's governors.

With the year 2000 as a deadline, the plan envisions that all children will start school ready to learn; the high-school graduation rate will be at least 90 percent; students leaving grades four, eight, and 12 will be able to handle challenging subject matter; American students will lead the world in science and math; all adults will be literate and able to compete in a global economy and be responsible citizens; and every school will offer an environment conducive to learning.

"This battle for education excellence will be won home by home, school by school, community by community," the president told the seminar. "When you go



President Bush: "Start building tomorrow's schools today."

home from this landmark conference," he said to the participants, "first, make sure that your schools have adopted those six national goals. Make sure they raise standards for educational performance, hold schools and teachers accountable." That accountability, he added, is the key.

Bush asked attendees to urge their members of Congress to get behind the America 2000 program.

"Send Congress a message," the president urged participants in the seminar. "Start building tomorrow's schools today. Give parents the choice they want and children the education they desire. We want the best schools for our children."

The parental-choice concept that the president referred to would enable parents to choose the public or private school they consider best for their children, and federal funds would follow the student to the school selected.

In other talks to the conference, C.J. Silas, chairman and CEO of Phillips Petroleum Co. and chairman of the board of the U.S. Chamber of Commerce, said

*President Bush urges a Chamber audience to help communities achieve educational excellence.*

business involvement in education reform is essential.

"Because the students of today will comprise the work force of tomorrow, the business community must help take the lead in ensuring quality education," Silas said. He added that "our local and state chambers of commerce are prepared to accept the president's challenge to establish America 2000 communities."

U.S. Education Secretary Lamar Alexander told the meeting that no other organizations are better suited than local chambers of commerce to head education-reform efforts, which must begin at the community level. "We are grateful to your leadership—community by community," he told the assembled chamber representatives. Participants represented 125 communities in 33 states.

"America 2000 is a framework that all chambers of commerce can use to help revitalize and reinvent their schools in their communities," the education secretary said.

Individual sessions held during the two-day conference provided attendees with information on how to communicate the America 2000 message, how to develop a communitywide strategy and report card, and what the New American Schools are all about.

To date the New American Schools Development Corp., formed by U.S. business at the request of President Bush, has raised \$50 million of the \$200 million the corporation is seeking to fund the design of the "break-the-mold" education environments that could be adapted by communities nationwide.

The organization recently announced a national competition for more than \$200 million in performance-based contracts to design the new schools. It will award contracts to about 30 design teams in May.

Saul Cooperman, chairman of the education advisory panel for the New American Schools Development Corp., told attendees that blueprints for New American Schools must spell out methods for dealing with the entire school; reaching agreed-upon world-class standards; implementing the plan, including recognizing the role of each link in the school system—teachers, administrators, parents, politicians—and funding the school; and replicating their plans in other communities.





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## BUSINESS STRATEGIES

# Ties That Bind Large And Small

By Bradford McKee

**S**mall companies in the U.S. are teaming up with the largest of corporations to flex the best muscles of both.

Many big companies have found they can increase their efficiency, flexibility, and innovativeness by relying more on small firms for certain materials and services.

Likewise, many small firms are expanding their market opportunities and their access to capital by doing business with major companies.

The ties that develop when large and small companies do business together and draw upon each other's strengths is often called synergism. The firms create and share power that neither firm possesses exclusively.

Synergism in business commonly arises from amiable supplier-customer relationships, but increasingly it is also the result of deliberately established strategic alliances between large and small companies.

In addition, some big companies are finding it worthwhile to help support small enterprises in order to bolster local economies wherever the large companies themselves do business.

And as big companies try to reduce their spending, they are finding that their



PHOTO: MICHAEL PUGH

Corporate-logo items are made by Edith Hammond for Lockheed's Brian Head, left, and Anheuser-Busch's Floyd Lewis.

peripheral or speculative projects and especially their more mundane chores often can be done best outside the company by more-agile small firms. "Nobody has all the technology," says Earl Landesman, financial analyst at A.T. Kearney Inc., a consulting firm in Chicago. "Those things that a large company doesn't have

*Small firms and big companies often find they work best when they work together.*

core competence in [it] should leave to somebody else."

**L**ockheed Aeronautical Systems Co., in Atlanta, doesn't make its own shirts, mugs, and caps printed with its corporate logo. Nor does Anheuser-Busch Cos. Inc., based in St. Louis, design and produce its promotional items. These companies call on Edith Hammond in Marietta, Ga. Her seven-employee firm, Hammond Enterprises, supplies promotional items to those corporations and others, including Coca-Cola Co., Rockwell International Corp., and J.C. Penney Co.

Corporate giants depend on a firm such as Hammond Enterprises because they "don't want the hassle" of designing their own logo-bearing items, Hammond says. "It's a lot of research and lots of paper," and often the bigger company needs the items on short notice. Hammond Enterprises' special focus enables it to produce promotional items fast. Such clients "know what they want, they have a plan, and they're open to creative ideas," Hammond says, and getting payment from big firms is relatively easy.

Jose Montiel concurs. His 48-employee office-supply firm, Proftech Corp., in Tarrytown, N.Y., always has preferred

## How To Team Up With A Big Company

The kind of ties you may want with a big business depends on the type of small company you have.

As a strategic partner, you would share much of your talent and technology in a presumably trusting and confidential liaison.

As a supplier to a big company, your relationship would be more detached, but it still would need attention.

Here are experts' recommendations on how a small company can team up with a larger firm.

### Strategic Partnerships

If you're interested in pursuing a strategic partnership, consultant Earl Landesman, with the consulting firm of A.T. Kearney, in Chicago, advises that you first determine two things about your firm: What are its unique parts? And where are its technological gaps or barriers to growth? A strategic ally should at least offer something that your company needs to succeed.

**Look ahead.** Where should your firm be in five to 10 years? You need a strategic

ally your firm can grow with compatibly.

**Screen potential partners.** Start with 20 companies likely to make good partners. Rate and rank them on their markets, products, customers, image, finances, locations, and management.

**Approach your candidates.** Make a realistic proposal to the target firms. Look for their willingness to work with your firm. Figure out each company's motives and goals. Ask yourself: Will the alliance enhance my competitiveness?

**Define your alliance.** Make sure your goals are congruous. Then iron out details of your working relationship—most important, your mission. Agree on a way to



selling to big companies. "They pay you faster," he says, and they need fewer and bigger deliveries. Montiel's clients include IBM Corp., PepsiCo, and the New York Power Authority. If he had to depend on small clients to bring in the \$100,000 that he earns selling to larger firms, he says, he "would have thousands of delivery locations."

In its first year, 1981, Montiel's firm had sales of \$79,000; sales last year reached \$7 million.

Anna Garcia Kone capitalizes on a niche in the steel business. Few other firms can get the same variety of steel in small shipments as her firm, ANKO Metal Services Inc., in Denver. Most steel mills will sell only in bulk. "We buy 40 tons and sell 10 tons to four customers," such as the Adolph Coors Co. or the Boeing Co., says Garcia Kone.

A giant client, Garcia Kone says, sometimes can help in ways a smaller one couldn't. The Public Service Co. of Colorado, a Denver utility company, accommodated Garcia Kone when she asked for payment in 10 days rather than 30. "I had 20 days to work with that capital and meet overhead," she says.

But the smaller vendor often must make overtures of its own to satisfy large corporate customers. For example, some small firms that supply big companies find they must conform to the corporate "total quality" movement.

At FM Corp., a Rogers, Ark., plastics-molding firm, sales chief Charles McDonnell says that the demands of statistical quality control are exacting. But the plus side is that many of his large customers, such as Xerox Corp., Motorola Communications and Electronics Inc., Abbott Laboratories, and American Telephone & Telegraph Co., are using the same specifications in their orders, under "total-quality management," making it easier to transact with more big companies.

FM Corp. is a 1991 honoree of the Blue Chip Enterprise Initiative, sponsored by Connecticut Mutual Life Insurance Co.,

the U.S. Chamber of Commerce, and *Nation's Business* magazine. The program recognizes and publicizes small firms' achievements in overcoming adversity. McDonnell says FM Corp. owes much of its success to serving huge customers. FM's loyal links to these firms cut its marketing costs, McDonnell says: "Instead of going after new customers all the time, we just wait for the next order."



Anna Garcia Kone carved a niche in steel.

The next level of mutualism between big and small firms is the strategic partnership. This type of alliance, business analysts say, took shape in the late 1980s in response to the great speed at which new technology began emerging globally. At its best, a strategic alliance combines a small firm's nimbleness with a larger company's research

capabilities and marketing strengths.

"It's a very important strategy for companies to look at," says Trip Peak, head of Science Park Associates, a New Haven, Conn., business incubator for small, high-technology companies. "Big companies get entrenched in certain approaches to problems that are internally and politically viable even if they're not on the cutting edge," Peak says. "It's very hard for a corporation as a whole to go on and develop other approaches. It's easier to go outside."

Although firms of all sizes feel pressure to put out more new products more quickly, the bureaucracy and overhead of a large corporation can slow down its move toward new technologies, says Jana Matthews, a Boulder, Colo., author and expert on collaborations between big businesses and small firms. What big companies seek, Matthews says, is "proof of concept" for a new product, without having to take on development costs.

That's when big corporations turn to smaller firms as research partners, says Matthews. The bigger partner can provide valuable support, but creative flexibility, most analysts agree, is the province of entrepreneurs.

Electronics and biotechnology are particularly fertile fields for partnerships, analysts say, and sometimes, where the work of one firm ends, another firm's work begins. MedImmune Inc., a small biotechnology company in Gaithersburg, Md., obtained the rights to a genetically engineered organism, the BCG microbe, which has been used as a vaccine for tuberculosis. New studies by MedImmune suggest the microbe may be able to fight the AIDS virus. The technology looks so promising that Merck & Co. Inc., the pharmaceutical giant, is putting \$13 million into MedImmune over three years to support vaccine research. Meanwhile, Connaught Laboratories Inc. is funding MedImmune's work with the same BCG microbe to fight Lyme disease and the hepatitis-B virus. Under these agree-

review the progress of your alliance.

**Set up a way out.** Treat your alliance like a marriage in the best of cases, but set up a "divorce process" in case the alliance fails.

**Avoid certain firms.** Steer clear of companies that have little experience with strategic partnerships. Avoid any silent partner offering only cash or a partner with a much different management style.

#### Supplier Relationships

Most major corporations have special small-business offices that act as shepherds to their smaller suppliers.

For help in identifying potential corpo-

rate customers, contact your nearest Small Business Development Center. SBDCs are public/private counseling and training centers for small firms and are in 47 states, usually at academic institutions. Your regional office of the U.S. Small Business Administration—listed in the blue pages of the phone book—can help you find an SBDC. You might also try the SBA's Small Business Answer Desk at 1-800-827-5722, and press "4" for information on local and regional sources of help.

Your local chamber of commerce is another good source for identifying potential partners in your area.

Minority-owned firms can contact the

National Minority Supplier Development Council at (212) 944-2430. It was founded partly by big companies to "certify" minority vendors. Also contact the THY US National Minority Business Directory, (612) 781-6819 or 1-800-627-4347.

#### Economic Help For Entrepreneurs

Most states and many localities have offices of economic development. They can help you obtain modest start-up capital or help you find loans and can provide management advice. Go first to your local or regional chamber of commerce, which will have some tie to the economic-development office in your area.



## BUSINESS STRATEGIES

ments, the larger partners, Merck and Connaught, are granted exclusive rights to use and distribute MedImmune's BCG technology in vaccines.

In the electronics industry, forming strategic partnerships "is the key issue," says Pamela Gordon, president of Technology Forecasters, a Berkeley, Calif., market-analysis firm.

IBM Corp. announced last November that it was breaking up its enormous organization to create more autonomy and flexibility in its divisions. But IBM has long known the creative potential peculiar to entrepreneurs, having linked up in the past decade with more than 5,000 independent companies. IBM works with small companies to augment its own formidable expertise in the computer business. One such company is Frontier Media Group Inc. The Malvern, Pa., firm creates "interactive multimedia" displays with computers. The applications are numerous. Mannington Mills, for example, a floor-covering company in Salem, N.J., has Frontier's multimedia displays in its retail stores, enabling customers to



Frontier Media Group's President Robert T. Cooper, left, and employees D. Maria Sisco, Craig A. Douglass, James K. Burke, and Donald Saul Jr.

see a simulation of how a carpet or tile would look in a room.

If IBM gets such a request, it calls in Frontier to supplement its own work. "Obviously, IBM sees a lot of potential in multimedia," says Robert T. Cooper, president of Frontier Media. Says Cooper about IBM: "They have been providing a lot of support for people like us."

As a way to gain technology, analysts say, strategic alliances may be gaining popularity at the expense of the two chief ways of obtaining proprietary information—mergers and acquisitions, and venture capital. Author Matthews says big companies are disenchanted with mergers and acquisitions as a step in acquiring new technology. "The [merger-and-acquisition] strategy kills the goose that lays the golden egg," Matthews says, because talented entrepreneurs in the acquired firm often leave after the acquisition.

Some corporate investors also are "disgruntled" with venture capital's inability to let them seize new technology, says Jennifer Blei Stockman, head of Stockman and Associates, a Greenwich, Conn., strategic-alliance consulting firm. She says many large companies see strategic alliances as more secure than venture investments when they want to obtain specific intellectual property.

Some big businesses, largely for their own interests, have assumed a nurturing role for small companies. U S West Communications Inc., headquartered in Denver, has made prodigious strides toward private-sector economic development in its 14-state region. The purpose behind U S West's small-business initiatives, observers say, is that a market with growing businesses means more demand for the telephone and fax services that U S West provides. Much of U S West's philanthropic

money goes to its Rural Economic Vitality Initiative, or REVIVE. "We were concerned about rural economies," says Jane Prancan, executive director of the U S West Foundation, in Denver. She says economic and demographic studies by U S West found "the economic picture was bleaker in most of our rural areas than in our cities."

REVIVE provides funds for small-business training, seed capital, and management help. Through REVIVE, U S West—along with Adolph Coors Co.—has funded a number of programs. Among them are Fast Track, a 40-hour "entrepreneurial boot camp" for women and minorities in Colorado; Arizona REVIVE, a public-private partnership between the Arizona State Hispanic Chamber of Commerce and Arizona State University; and the ASU Industrial Fellows program, a system of small-business apprenticeships for Arizona State University engineering students.

U S West also is one of several large firms, including Public Service Co. of Colorado, that have contributed about \$2 million in equity funding for the Boulder Technology Incubator, in Colorado.

Bob Calcaterra, director of the Boulder incubator, says big companies are attracted to the small-business incubator for two major reasons. First, he says, firms such as Public Service Co. want to develop their own regional markets: "It's clear they're hoping that economic development leads to new business, which leads to using natural gas." And second, he says, although the material gains may not be immediate, the big firms are eager to help new technology along.

Tenants in the Boulder incubator include a firm that is developing an advanced fiber for outdoor wear, a company that makes plasma coatings, and a firm creating electronic tracking devices that can help find lost livestock or ascertain whether a criminal under house arrest has left the premises.

When Calcaterra was head of research and development for a large corporation in the Denver area, he says, "I couldn't do anything for less than \$300,000, with all the overhead." By contrast, he says, small firms are infinitely more economical in innovation: "I'm amazed at what people do here [at the incubator] with \$300,000." Based on his experience, he says, "they make two and three times the accomplishment" of larger firms, which have at least as much marketing power.



To order reprints of this article, see Page 56.

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# Stand Up And Speak Out

*Next time you're asked to give a speech, use these tips to plan and execute it to perfection.*

By Carolyn Smith

**A** good speech is great for business. It bolsters your company's image, especially when it prompts the audience to think or act differently. When you're addressing your prospective customers and clients, you have their undivided attention. So you want your speech to be effective.

How do you make the most of this opportunity? Try these suggestions:

**Know your audience.** Ask about the requesting organization's history, membership, and expected attendance. Find out what most people want to learn.

**Define your objectives.** What should your remarks achieve? Do you wish to persuade, enlighten, influence? Focus the main and supporting points accordingly.

**Grab them in the opening.** A bold statement, such as "I'm going to tell you why I think 'X' is the right thing to do," is more provocative than "it's a pleasure to be here." Personal anecdotes, sports references, and current events also work well—if they're interesting and tied to your main theme.

**Study your style.** Write a few lines. Record them on tape. Analyze your tone, pace, pitch, and rhythm. No two speakers are alike. Adjust to suit yourself.

**Refine your message.** For a speech of the average length of 20 minutes, pick a theme and no more than four supporting points. Remember your allotted time and the need to be clear and direct.

**Do what comes naturally.** You don't converse in long, ponderous sentences. The ear needs brevity and simplicity. Use the nickel word even if you think the dollar one is more impressive (it probably isn't).

**If you enjoy humor, use it.** Use it judiciously, however. If you're not funny, don't try to be. You can't raise the volume on a sense of humor that's not there in the first place.

Even the innocent one-liner can offend. Be careful.

*Carolyn Smith, an independent speech writer, operates Speechcraft, in Plymouth, Mich.*

**Use numbers sparingly.** Too many numbers can dilute ideas. If you must use them to prop up an issue, consolidate and round them off. Otherwise, remember that most people understand economics by balancing their checkbooks.

**Appreciate sound.** Delivery of a good speech or presentation is much like a music conductor playing upon the moods of the people. A speech can vibrate with energy, soften, grow to a resounding crescendo, pause, and even rest.

Some words sound better than others. Some are easier to pronounce. And some sound alike but have different meanings. For example, if you say "all in the family have something special in their genes," the audience may hear "jeans."

**Avoid the trite and tiresome.** Some expressions don't ring true, such as "that reminds me of the story..." and "in conclusion..." If you want to tell the story, tell it. If it's time to conclude the speech, conclude it. Period.

English is rich in words that appeal to the senses, stir the imagination, and unlock the mind. Offer your audience a little of the unexpected.

**Close on a high note.** Tell them what you told them in a different way. Summarize briefly. Maybe use a concise but memorable quote or analogy. Slow the pace a little to signal the final statement. The closing should be swift, vigorous, and positive.

**Remember what a speech is.** It's more than a transfer of thought from one mind to another. It's a performance. The vehicle is the message. Organize it well. Keep it simple and honest.

**Practice, practice, practice.** The best text in the world won't work well without it. Read the script silently. Read it aloud, alone. Read it to your spouse, son, daughter, or friend.

I recently crafted a speech for a busy executive, who recorded and played it in his car's tape deck while driving to and from work. In five days, he was totally familiar with it. He delivered it smoothly and convincingly.

**Throw the script away.** If you feel you speak more naturally without a text, don't

use it. Maybe you work better from a key-word outline or index cards.

But always start with a script. It helps you control time and stay on track. It also offers points of reference in the question-and-answer period.

Besides, you have something to hand a last-minute replacement in the event you can't make it.

**Enjoy yourself.** Tell audience members you like them. Say it with your eyes, your voice, and your gestures. This isn't a federal grand jury. These are friendly faces and eager ears. The better you rehearse, the more confident you will feel, look, and sound.

**Accept another speaking engagement.** With practice, it gets much easier. Your spoken ideas are good for your business. Besides, it's nice to have no competition, if only for a few minutes. **18**

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# Looking At Words Through Windows

By Ripley Hotch and Jon Pepper

**A**lthough we often find Windows 3.0 frustrating, most of the interesting programs are now being written for this graphical user interface. All the major word-processing programs have now appeared in Windows versions. Better yet, because everyone is scrambling for share in the huge word-processing market, bargain pricing to lure new users abounds.

The disadvantage for the user (and, probably, the marketer) is that the Windows interface makes distinguishing programs from one another difficult.

Even their prices are similar: \$495 list, with a special price of \$129 if you switch from one of the competitors (WordPerfect price for the switch is \$149)—all you have to do is show some proof of purchase to get the special. And they are all impressive performers.

But what's the difference, really, between WordPerfect for Windows (WordPerfect Corp.), WordStar for Windows (WordStar International), Word for Windows 2.0 (Microsoft), and Ami Pro 2.0 (Lotus Corp.)?

The answer, it turns out, is that when you get beyond a minimum level of competence, each is better at certain tasks.

WordStar was the first word-processor success story. It set standards for keystrokes that are still followed in many other programs. Writers got so used to its behavior that they would reconfigure keyboards on other word processors to mimic WordStar commands.

But the company didn't change enough fast enough; it almost disappeared as a force in the field.

Like all the Windows word processors, WordStar for Windows is almost a desktop-publishing program: It has WYSIWYG (What You See on the screen is What You Get from the printer); it imports art; allows you to crop, rotate, specify colors, and wrap type in any size; and it prints to a black-and-white or color printer.

What the program adds to these basics is the ability to import documents from 50 different text formats. You can write in whatever program you have grown to love—old WordStar, WordPerfect, Microsoft Word, XyWrite, and a host of oth-

ers—and simply call the document up for decoration. You can even use the same keyboard commands.

WordPerfect has taken over from WordStar as the market leader: Fully 70 percent of the word-processing market belongs to the Orem, Utah, software giant. The big question for most WordPerfect users switching to Windows has been exactly how perfect WordPerfect for Windows would be. WordPerfect Corp. knows that its initial Windows effort needs to be first-rate in order to

*Does Windows 3.0 take away the individuality of your favorite word processor?*

Windows or WordPerfect printer drivers, with the latter providing more speed and access to the 1,500-plus WordPerfect character set. Printer control is one of WordPerfect for Windows' major advantages.

Microsoft has announced it intends to be a major player in every software market: It is aiming Word for Windows directly at market leader WordPerfect. Not satisfied with just the \$129 offer for users who switch, it makes switching easy: There is a learning mode for WordPerfect users. All you have to do is say what WordPerfect command you know, and the program takes you through the equivalent step in Word. The idea is to learn by doing. (Word does not do this for any other program.)

Microsoft has put Word through its user-test laboratory, in which programmers observe untutored users who are trying to work with the product. Finding out what users really want is new to the software industry, and the result for Word has been the strongest possible emphasis on making office correspondence easy, from letter style, to envelope printing, to mail merge. If that's what you want a word processor for, then Word for Windows is your oyster.

New users should be aware that both Word for Windows and WordPerfect for Windows had bugs in their first release; fixes and upgrades should be available by March.

Lotus Ami Pro is the strongest entry for near-desktop publishing. We aren't sure why you would need a separate program for desktop publishing. For long-document handling, complex layouts with graphics, and customizable screens, Ami Pro is the leader. But Ami Pro is the hardest of the word processors to learn.

These word processors are their companies' first shot in the new Windows world, and they will undoubtedly evolve to include even more features. Their characters will also evolve, but probably along the lines now laid out. It will take you more time to decide which one is right for you, but at the price, you are getting a terrific bargain.

And if you are thinking about switching to a different word processor, now is clearly the time to do it.



Microsoft's user-test laboratory lets programmers see how new users approach Microsoft Word.

keep its market share against challengers such as Microsoft and Lotus.

WordPerfect for Windows almost perfectly combines all the best elements of its 5.1 DOS version with an added ease of use and convenience from the Windows environment.

For instance, you can now create a table by simply clicking a table icon and dragging the mouse over the size grid you need. Similarly, a ruler bar provides instant access to layout features such as font style and size, spacing, tabs, and margins.

Users converting from version 5.1 can set up the keyboard to respond to either the familiar WordPerfect commands (like F1 for cancel and F3 for help) or the CUA (common user access) commands that are more typical with Windows programs. Moreover, you can switch between the



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IBM	130.00	135.00	100	500.00
IBM	135.00	140.00	100	500.00
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IBM	465.00	470.00	100	500.00
IBM	470.00	475.00	100	500.00
IBM	475.00	480.00	100	500.00
IBM	480.00	485.00	100	500.00
IBM	485.00	490.00	100	500.00
IBM	490.00	495.00	100	500.00
IBM	495.00	500.00	100	500.00
IBM	500.00	505.00	100	500.00
IBM	505.00	510.00	100	500.00
IBM	510.00	515.00	100	500.00
IBM	515.00	520.00	100	500.00
IBM	520.00	525.00	100	500.00
IBM	525.00	530.00	100	500.00
IBM	530.00	535.00	100	500.00
IBM	535.00	540.00	100	500.00
IBM	540.00	545.00	100	500.00
IBM	545.00	550.00	100	500.00
IBM	550.00	555.00	100	500.00
IBM	555.00	560.00	100	500.00
IBM	560.00	565.00	100	500.00
IBM	565.00	570.00	100	500.00
IBM	570.00	575.00	100	500.00
IBM	575.00	580.00	100	500.00
IBM	580.00	585.00	100	500.00
IBM	585.00	590.00	100	500.00
IBM	590.00	595.00	100	500.00
IBM	595.00	600.00	100	500.00
IBM	600.00	605.00	100	500.00
IBM	605.00	610.00	100	500.00
IBM	610.00	615.00	100	500.00
IBM	615.00	620.00	100	500.00
IBM	620.00	625.00	100	500.00
IBM	625.00	630.00	100	500.00
IBM	630.00	635.00	100	500.00
IBM	635.00	640.00	100	500.00
IBM	640.00	645.00	100	500.00
IBM	645.00	650.00	100	500.00
IBM	650.00	655.00	100	500.00
IBM	655.00	660.00	100	500.00
IBM	660.00	665.00	100	500.00
IBM	665.00	670.00	100	500.00
IBM	670.00	675.00	100	500.00
IBM	675.00	680.00	100	500.00
IBM	680.00	685.00	100	500.00
IBM	685.00	690.00	100	500.00
IBM	690.00	695.00	100	500.00
IBM	695.00	700.00	100	500.00
IBM	700.00	705.00	100	500.00
IBM	705.00	710.00	100	500.00
IBM	710.00	715.00	100	500.00
IBM	715.00	720.00	100	500.00
IBM	720.00	725.00	100	500.00
IBM	725.00	730.00	100	500.00
IBM	730.00	735.00	100	500.00
IBM	735.00	740.00	100	500.00
IBM	740.00	745.00	100	500.00
IBM	745.00	750.00	100	500.00
IBM	750.00	755.00	100	500.00
IBM	755.00	760.00	100	500.00
IBM	760.00	765.00	100	500.00
IBM	765.00	770.00	100	500.00
IBM	770.00	775.00	100	500.00
IBM	775.00	780.00	100	500.00
IBM	780.00	785.00	100	500.00
IBM	785.00	790.00	100	500.00
IBM	790.00	795.00	100	500.00
IBM	795.00	800.00	100	500.00
IBM	800.00	805.00	100	500.00
IBM	805.00	810.00	100	500.00
IBM	810.00	815.00	100	500.00
IBM	815.00	820.00	100	500.00
IBM	820.00	825.00	100	500.00
IBM	825.00	830.00	100	500.00
IBM	830.00	835.00	100	500.00
IBM	835.00	840.00	100	500.00
IBM	840.00	845.00	100	500.00
IBM	845.00	850.00	100	500.00
IBM	850.00	855.00	100	500.00
IBM	855.00	860.00	100	500.00
IBM	860.00	865.00	100	500.00
IBM	865.00	870.00	100	500.00
IBM	870.00	875.00	100	500.00
IBM	875.00	880.00	100	500.00
IBM	880.00	885.00	100	500.00
IBM	885.00	890.00	100	500.00
IBM	890.00	895.00	100	500.00
IBM	895.00	900.00	100	500.00
IBM	900.00	905.00	100	500.00
IBM	905.00	910.00	100	500.00
IBM	910.00	915.00	100	500.00
IBM	915.00	920.00	100	500.00
IBM	920.00	925.00	100	500.00
IBM	925.00	930.00	100	500.00
IBM	930.00	935.00	100	500.00
IBM	935.00	940.00	100	500.00
IBM	940.00	945.00	100	500.00
IBM	945.00	950.00	100	500.00
IBM	950.00	955.00	100	500.00
IBM	955.00	960.00	100	500.00
IBM	960.00	965.00	100	500.00
IBM	965.00	970.00	100	500.00
IBM	970.00	975.00	100	500.00
IBM	975.00	980.00	100	500.00
IBM	980.00	985.00	100	500.00
IBM	985.00	990.00	100	500.00
IBM	990.00	995.00	100	500.00
IBM	995.00	1000.00	100	500.00

Symbol	Buy Price	Sell Price	Volume	Profit	Buy Price	Sell Price	Volume	Profit	Symbol	Buy Price	Sell Price	Volume	Profit	
IBM	110.00	115.00	100	500.00	IBM	115.00	120.00	100	500.00	IBM	120.00	125.00	100	500.00
IBM	125.00	130.00	100	500.00	IBM	130.00	135.00	100	500.00	IBM	135.00	140.00	100	500.00
IBM	140.00	145.00	100	500.00	IBM	145.00	150.00	100	500.00	IBM	150.00	155.00	100	500.00
IBM	155.00	160.00	100	500.00	IBM	160.00	165.00	100	500.00	IBM	165.00	170.00	100	500.00
IBM	170.00	175.00	100	500.00	IBM	175.00	180.00	100	500.00	IBM	180.00	185.00	100	500.00
IBM	185.00	190.00	100	500.00	IBM	190.00	195.00	100	500.00	IBM	195.00	200.00	100	500.00
IBM	200.00	205.00	100	500.00	IBM	205.00	210.00	100	500.00	IBM	210.00	215.00	100	500.00
IBM	215.00	220.00	100	500.00	IBM	220.00	225.00	100	500.00	IBM	225.00	230.00	100	500.00
IBM	230.00	235.00	100	500.00	IBM	235.00	240.00	100	500.00	IBM	240.00	245.00	100	500.00
IBM	245.00	250.00	100	500.00	IBM	250.00	255.00	100	500.00	IBM	255.00	260.00	100	500.00
IBM	260.00	265.00	100	500.00	IBM	265.00	270.00	100	500.00	IBM	270.00	275.00	100	500.00
IBM	275.00	280.00	100	500.00	IBM	280.00	285.00	100	500.00	IBM	285.00	290.00	100	500.00
IBM	290.00	295.00	100	500.00	IBM	295.00	300.00	100	500.00	IBM	300.00	305.00	100	500.00
IBM	305.00	310.00	100	500.00	IBM	310.00	315.00	100	500.00	IBM	315.00	320.00	100	500.00
IBM	320.00	325.00	100	500.00	IBM	325.00	330.00	100	500.00	IBM	330.00	335.00	100	500.00
IBM	335.00	340.00	100	500.00	IBM	340.00	345.00	100	500.00	IBM	345.00	350.00	100	500.00
IBM	350.00	355.00	100	500.00	IBM	355.00	360.00	100	500.00	IBM	360.00	365.00	100	500.00
IBM	365.00	370.00	100	500.00	IBM	370.00	375.00	100	500.00	IBM	375.00	380.00	100	500.00
IBM	380.00	385.00	100	500.00	IBM	385.00	390.00	100	500.00	IBM	390.00	395.00	100	500.00
IBM	395.00	400.00	100	500.00	IBM	400.00	405.00	100	500.00	IBM	405.00	410.00	100	500.00
IBM	410.00	415.00	100	500.00	IBM	415.00	420.00	100	500.00	IBM	420.00	425.00	100	500.00
IBM	425.00	430.00	100	500.00	IBM	430.00	435.00	100	500.00	IBM	435.00	440.00	100	500.00
IBM	440.00	445.00	100	500.00	IBM	445.00	450.00	100	500.00	IBM	450.00	455.00	100	500.00
IBM	455.00	460.00	100	500.00	IBM	460.00	465.00	100	500.00	IBM	465.00	470.00	100	500.00
IBM	470.00	475.00	100	500.00	IBM	475.00	480.00	100	500.00	IBM	480.00	485.00	100	500.00
IBM	485.00	490.00	100	500.00	IBM	490.00	495.00	100	500.00	IBM	495.00	500.00	100	500.00
IBM	500.00	505.00	100	500.00	IBM	505.00	510.00	100	500.00	IBM	510.00	515.00	100	500.00
IBM	515.00	520.00	100	500.00	IBM	520.00	525.00	100	500.00	IBM	525.00	530.00	100	500.00
IBM	530.00	535.00	100	500.00	IBM	535.00	540.00	100	500.00	IBM	540.00	545.00	100	500.00
IBM	545.00	550.00	100	500.00	IBM	550.00	555.00	100	500.00	IBM	555.00	560.00	100	500.00
IBM	560.00	565.00	100	500.00	IBM	565.00	570.00	100	500.00	IBM	570.00	575.00	100	500.00
IBM	575.00	580.00	100	500.00	IBM	580.00	585.00	100	500.00	IBM	585.00	590.00	100	500.00
IBM	590.00	595.00	100	500.00	IBM	595.00	600.00	100	500.00	IBM	600.00	605.00	100	500.00
IBM	605.00	610.00	100	500.00	IBM	610.00	615.00	100	500.00	IBM	615.00	620.00	100	500.00
IBM	620.00	625.00	100	500.00	IBM	625.00	630.00	100	500.00	IBM	630.00	635.00	100	500.00
IBM	635.00	640.00	100	500.00	IBM	640.00	645.00	100	500.00	IBM	645.00	650.00	100	500.00
IBM	650.00	655.00	100	500.00	IBM	655.00	660.00	100	500.00	IBM	660.00	665.00	100	500.00
IBM	665.00	670.00	100	500.00	IBM	670.00	675.00	100	500.00	IBM	675.00	680.00	100	500.00
IBM	680.00	685.00	100	500.00	IBM	685.00	690.00	100	500.00	IBM	690.00	695.00	100	500.00
IBM	695.00	700.00	100	500.00	IBM	700.00	705.00	100	500.00	IBM	705.00	710.00	100	500.00
IBM	710.00	715.00	100	500.00	IBM	715.00	720.00	100	500.00	IBM	720.00	725.00	100	500.00
IBM	725.00	730.00	100	500.00	IBM	730.00	735.00	100	500.00	IBM	735.00	740.00	100	500.00
IBM	740.00	745.00	100	500.00	IBM	745.00	750.00	100	500.00	IBM	750.00	755.00	100	500.00
IBM	755.00	760.00	100	500.00	IBM	760.00	765.00	100	500.00	IBM	765.00	770.00	100	500.00
IBM	770.00	775.00	100	500.00	IBM	775.00	780.00	100	500.00	IBM	780.00	785.00	100	500.00
IBM	785.00	790.00	100	500.00	IBM	790.00	795.00	100	500.00	IBM	795.00	800.00	100	500.00
IBM	800.00	805.00	100	500.00	IBM	805.00	810.00	100	500.00	IBM	810.00	815.00	100	500.00
IBM	815.00	820.00	100	500.00	IBM	820.00	825.00	100	500.00	IBM	825.00	830.00	100	500.00
IBM	830.00	835.00	100	500.00	IBM	835.00	840.00	100	500.00	IBM	840.00	845.00	100	500.00
IBM	845.00	850.00	100	500.00	IBM	850.00	855.00	100	500.00	IBM	855.00	860.00	100	500.00
IBM	860.00	865.00	100	500.00	IBM	865.00	870.00	100	500.00	IBM	870.00	875.00	100	500.00
IBM	875.00	880.00	100	500.00	IBM	880.00	885.00	100	500.00	IBM	885.00	890.00	100	500.00
IBM	890.00	895.00	100	500.00	IBM	895.00	900.00	100	500.00	IBM	900.00	905.00	100	500.00
IBM	905.00	910.00	100	500.00	IBM	910.00	915.00	100	500.00	IBM	915.00	920.00	100	500.00
IBM	920.00	925.00	100	500.00	IBM	925.00	930.00	100	500.00	IBM	930.00	935.00	100	500.00
IBM	935.00	940.00	100	500.00	IBM	940.00	945.00	100	500.00	IBM	945.00	950.00	100	500.00
IBM	950.00	955.00	100	500.00	IBM	955.00	960.00	100	500.00	IBM	960.00	965.00	100	500.00
IBM	965.00	970.00	100	500.00	IBM	970.00	975.00	100	500.00	IBM	975.00	980.00	100	500.00
IBM	980.00	985.00	100	500.00	IBM	985.00	990.00	100	500.00	IBM	990.00	995.00	100	500.00
IBM	995.00	1000.00	100	500.00	IBM	1000.00	1005.00	100	500.00	IBM	1005.00	1010.00	100	500.00
IBM	1010.00	1015.00	100	500.00	IBM	1015.00	1020.00	100	500.00	IBM	1020.00	1025.00	100	500.00
IBM	1025.00	1030.00	100	500.00	IBM	1030.00	1035.00	100	500.00	IBM	1035.00	1040.00	100	500.00
IBM	1040.00	1045.00	100	500.00	IBM	1045.00	1050.00	100	500.00	IBM	1050.00	1055.00	100	500.00
IBM	1055.00	1060.00	100	500.00	IBM	1060.00	1065.00	100	500.00	IBM	1065.00	1070.00	100	500.00
IBM	1070.00	1075.00	100	500.00	IBM	1075.00	1080.00	100	500.00	IBM	1080.00	1085.00	100	500.00
IBM	1085.00	1090.00	100	500.00	IBM	1090.00	1095.00	100	500.00	IBM	1095.00	1100.00	100	500.00
IBM	1100.00	1105.00	100	500.00	IBM	1105.00	1110.00	100	500.00	IBM	1110.00	1115.00	100	500.00
IBM	1115.00	1120.00	100	500.00	IBM	1120.00	1125.00	100	500.00	IBM	1125.00	1130.00	100	500.00
IBM	1130.00	1135.00	100	500.00	IBM	1135.00	1140.00	100	500.00	IBM	1140.00	1145.00	100	500.00
IBM	1145.00	1150.00	100	500.00	IBM	1150.00	1155.00	100	500.00	IBM	1155.00	1160.00	100	500.00
IBM	1160.00	1165.00	100	500.00	IBM	1165.00	1170.00	100	500.00	IBM	1170.00	1175.00	100	500.00
IBM	1175.00	1180.00	100	500.00	IBM	1180.00	1185.00	100	500.00	IBM	1185.00	1190.00	100	500.00
IBM	1190.00	1195.00	100	500.00	IBM	1195.00	1200.00	100	500.00	IBM	1200.00	1205.00	100	500.00
IBM	1205.00	1210.00	100	500.00	IBM	1210.00	1215.00	100	500.00	IBM	1215.00	1220.00	100	500.00
IBM	1220.00	1225.00	100	500.00	IBM	1225.00	1230.00	100	500.00	IBM	1230.00	1235.00	100	500.00
IBM	1235.00	1240.00	100	500.00	IBM	1240.00	1245.00	100	500.00	IBM	1245.00	1250.00	100	500.00
IBM	1250.00	1255.00	100	500.00	IBM	1255.00	1260.00	100	500.00	IBM	1260.00	1265.00	100	500.00
IBM	1265.00	1270.00	100	500.00	IBM	1270.00	1275.00	100	500.00	IBM	1275.00	1280.00	100	500.00
IBM	1280.00	1285.00	100	500.00	IBM	1285.00	1290.00	100	500.00	IBM	1290.00	1295.00	100	500.00
IBM	1295.00	1300.00	100	500.00	IBM	1300.00	1305.00	100	500.00	IBM	1305.00	1310.00	100	500.00
IBM	1310.00	1315.00	100	500.00	IBM	1315.00	1320.00	100	500.00	IBM	1320.00	1325.00	100	500.00
IBM	1325.00	1330.00	100	500.00	IBM	1330.00	1335.00	100	500.00	IBM	1335.00	1340.00	100	500.00
IBM	1340.00	1345.00	100	500.00	IBM	1345.00	1350.00	100	500.00	IBM	1350.00	1355.00	100	500.00



## LESSONS OF LEADERSHIP

# There's No Place Like Home Depot

By Roger Thompson

It's 6:30 a.m., and darkness still envelops the suburban Atlanta parking lot where the staff of the Memorial Drive Home Depot has assembled for a meeting with the company's top two executives.

But why would CEO Bernard Marcus and President Arthur Blank, architects of

Marcus and Blank, wearing short-sleeve knit shirts and Home Depot's trademark orange aprons, clearly love being there. And the crowd loves them.

This isn't just vanity TV. This is state-of-the-art corporate communications. And it's required viewing: In 158 stores in 14 states, some 30,000 Home

*Three days after The Home Depot's dismal opening, Bernard Marcus received a sign that all would be well—a bag of okra.*

serves that purpose. But this parking lot is different. This is where it all began for Home Depot, on June 22, 1979. And this is where Store No. 1 still stands, a landmark to entrepreneurial vision.

Bernie and Arthur, as Home Depot employees call them, returned to Store No. 1 to indulge in a bit of corporate nostalgia. They wanted to pass along the oral history of how today's retailing dynamo limped out of the starting gate.

It's the kind of story everyone loves to hear because they know it has a happy ending: Bernie and Arthur today hold company stock valued at more than \$780 million. And every full-time employee, too, is a stockholder under the company's generous stock ownership plan. Moreover, Home Depot says its salaries are higher than those paid by competitors.

The future also looks bright. Investment analysts project that Home Depot, still in its corporate adolescence, will grow into a retailing giant in the 1990s. The company forecasts that in five years it will have grown to 534 stores, more than triple the current number. By the year 2000, some expect, Home Depot will have at least 13 percent of the highly fragmented do-it-yourself home-improvement market, up from 4 percent today. That would mean an increase in sales from \$5 billion in 1991 to \$25 billion.

But 12 years ago, it was all a dream, and a fragile one at that. Unable to finance construction of a prototype store, Marcus and Blank set up shop in a defunct Treasure Island Discount store. With an infusion of venture capital from a New York City investment firm, they stocked the shelves with 18,000 different items—from paint, to planks, to plumbing—held the prices low, and hired a staff ready to give top-flight service. They figured customers would stream in the door.

On opening day, Marcus and Blank gave their kids a wad of 700 \$1 bills and stationed them by the entrance to hand out the money as thank-you gifts to shoppers. Marcus and Blank expected the money to run out before noon. "By 5 or 6 in the evening, our kids were out in the parking lot stopping people and giving them money to come into the store," recalls Blank. It was a crushing disappointment.

Ditto at store No. 2, which opened the



Home Depot's CEO Bernard Marcus, left, and President Arthur Blank have built annual sales to \$5 billion in just 12 years.

a \$5-billion-and-growing home-improvement-center empire, pick a parking lot for a sunrise staff meeting? To host their own TV show, of course. It's time for another episode of "Breakfast With Bernie and Arthur." Lights, action...

The crowd roars with applause as the stars of the show bound down the makeshift aisles between the folding chairs.

Depot employees will sit before closed-circuit TV screens for this quarterly edition of company news and entertainment—beamed live via satellite before stores open on the East Coast and taped for later broadcast elsewhere.

Not that a parking lot is the usual site for these broadcasts. The studio at the company's Atlanta headquarters usually





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same day in another former Treasure Island Discount store in another Atlanta suburb. The store was being run by Pat Farah, who was a partner at the time and has since retired. Farah, Marcus, and Blank met for lunch at Wendy's. "We just sat there in stunned silence. We didn't even eat," says Marcus. "It looked like

period in 1990, and earnings advanced 62 percent. Investment analysts love the stock and compare the company to Wal-Mart, the retailing success story of the 1980s.

The irony is that there would be no Home Depot today if Marcus and Blank hadn't needed the work. That's another chapter in the company's folklore that they patiently retold recently, seated comfortably in Blank's office above the tree line at corporate headquarters 12 miles northwest of downtown Atlanta.

Professionally, Marcus and Blank were on top of the world in the late 1970s, as managers of a Southern California home-center chain called Handy Dan. "We were running the fastest-growing and most profitable home-center stores in the country, building [them] into what we thought would be a national chain," recalls Marcus, the company's professorial visionary. "Then, one day [in 1978], unexpectedly, and with really no reason, we were unceremoniously dumped on our butts in a corporate putsch."

Something about Marcus and Blank apparently didn't please corporate raider Sandford C. Sigoloff, who had acquired their parent company, Daylin Inc. Suddenly, Marcus and Blank were propelled out of the elite ranks of retail management and into the lowly ranks of the unemployed. At the time, they say, they were devastated.

But the fact remains that "without Sandy, there would be no Home Depot," says Blank, who is the detail specialist and manages the company's day-to-day operations. Jokingly, he adds, "I've told Bernie that occasionally we ought to send Sandy gifts."

It's easy now to joke about their predicament. But the pain they felt at the time changed the way they have done business ever since. "We spent some time in self-indulgence excess," recalls Marcus. "Arthur ran his first marathon. And I stayed up on a marathon; I don't think I slept for a week. But what we learned is this: You never turn your back. You always question success. And that experience gave us one of the things that is critical to running this company today: humility."

"Humility means that you are not overwhelmed by your own importance.

## The Duo Behind Home Depot's Growth

BERNARD MARCUS

**Title:** Chief Executive Officer

**Age:** 62

**Education:** Pharmacy degree, Rutgers University, New Brunswick, N.J.

**Hobbies:** Golf, swimming, Atlanta Hawks fan

**Personal:** Married, with three children

**Favorite Do-It-Yourself Project:** Although he can do almost any indoor project, he doesn't have time and wouldn't do plumbing repairs even if he did have the time.

**Home Depot Stock:** Owns approximately \$450 million worth.

ARTHUR BLANK

**Title:** President

**Age:** 48

**Education:** Accounting degree, Babson College, Wellesley, Mass.

**Hobbies:** Marathon running, hiking, canoeing

**Personal:** Married, with three children

**Favorite Do-It-Yourself Project:** Enjoys landscaping, lawn and garden care. Would call a plumber for a leaky faucet.

**Home Depot Stock:** Owns approximately \$330 million worth.



What Home Depot stores may lack in charm they make up for in variety. New stores carry about 35,000 items.

curtains for us. My wife wouldn't let me shave for days. She didn't want me to have a razor in my hands."

But Day Three produced a glimmer of hope. That was the day that a satisfied customer unexpectedly returned with a bag of okra for Marcus, her way of saying thank-you for the shopping experience she had had at Home Depot. As a transplanted New Yorker, Marcus says, he didn't really appreciate okra on a culinary level, but he did savor it as a sign that the fledgling enterprise was on the right track.

Indeed, word-of-mouth began to pull more and more first-time customers into the stores. Before long, the days of paying suppliers with money taken directly from the cash register drawer were over. Two more stores opened in 1980. And the following year, Home Depot issued its first stock.

From those humble beginnings, the company exploded with growth, and in just 10 years it had toppled the nationwide Lowe's chain as the country's biggest warehouse home-center retailer.

Not even the current economic slowdown has dented Home Depot's stellar performance. Sales for the third quarter of 1991 were up 39 percent over the same

Arthur and I know where we came from. We've never forgotten. And we don't want to go back.

"We also know that we are not bright enough to know the answer to every single question. And the fact that we know that we are not that bright makes us brighter than most people, which means that we are open to suggestions. We listen to people."

They did a lot of listening during the company's formative years, before going public in 1981. Marcus and Blank had plenty of desk-bound tasks, but they always made time to don an orange apron and walk the sales floor, helping customers just like any other employee. For that matter, they still work the sales floor from time to time.

The basic principles guiding the company "were cemented in those early years and have never changed," says Blank. "Our prices were low then, and they are still low today. And our service was excellent then and still is today."

Simple to state, difficult to execute. Until Home Depot entered the market, warehouse shopping meant deep discounts but with no frills and with only minimal service. Adding service to the retailing mix has made Home Depot stand apart.

But the stores themselves haven't remained unchanged. Far from it. Listening to customers and responding to their needs has fueled a quest for improvement. Says Marcus: "If you looked at one of our original stores and compared it to one of our stores today, you wouldn't recognize the original." For example, the early



stores had about 65,000 square feet; the new stores have more than twice that amount. The first stores offered 18,000 items, compared with 35,000 in the new ones.

"Even if you took a store we opened two years ago and put it against one we opened this week, you also wouldn't recognize it," says Marcus. "That's how far we've evolved in two years. And five years from now, our stores will not look the same as they do today."

If it sounds like Marcus and Blank aren't content with the status quo, you're right. The theme of a recent presentation to Wall Street securities analysts succinctly states their outlook: "If you don't make dust, you eat it."

"We have an ongoing commitment to running scared," says Blank. "If you attended any of our meetings, you would never believe that this company is the size it is or is doing as well as it is. We spend very little time talking about all the things we are doing well. We spend 80 to 90 percent of our time focusing on the issues and problems, what the competition is doing, what our customers are looking for, what they are not finding in our stores, what stores are having problems."

"The whole focus of the company is to take today's standards and accept them for what they are but say we have to improve upon them for the future. Maintaining what we do today is just not going to cut it."

"This is not just a whole bunch of words to us. Our senior management, our store management, and our merchandisers understand that. This is what we believe."

But it's more than just a belief. It's an action plan for each and every store. Marcus and Blank have infused the company, top to bottom, with an entrepreneurial ethic. They know that the company's continued success depends upon all of its employees. Tapping that vast potential source of talent and energy means creating an environment that draws it out. No one understands that better than the two guys at the top.

Says Marcus: "Among our 30,000 employees, we probably have 10,000 people who are entrepreneurs. And we have an environment that allows the entrepreneur

to function. That is very rare for a company our size."

An example comes to mind. Marcus says he and Blank recently learned that an employee at the Home Depot in Baton Rouge, La., took it upon himself to learn sign language to better assist deaf customers. As a result, the trickle of deaf shoppers has turned into a steady stream, and the employee is now teaching other sales clerks how to sign. "This is entrepreneurship; it's taking care of the customer. And we have hundreds of stories like that," says Marcus.

The downside of taking initiative, of course, is failure. Like most entrepreneurs, Marcus and Blank put the best face on foul-ups. "We make mistakes every day," says Marcus. "If you don't make

says Marcus. "He knows every minute of every day where he is going to be. But I'm free and easy. It's very important for people in the company to know that they don't have to be Arthur and they don't have to be me in order to be successful. They can be anywhere between the two of us and still succeed."

After listening to Marcus and Blank for a while, it's clear they are not holding back. There's no stealth formula that makes Home Depot hum. So the question arises, aren't they afraid of copycats?

This is a question they have lived with since going public in 1981, "when competitors could first see in black and white what we were achieving in our stores," says Blank. In fact, competitors are trying all the time to duplicate Home

Depot's recipe for success. So far, they have missed the key ingredient, says Blank. "Competitors can copy our fixtures and the way we set up our merchandise. They can copy our vendors and our pricing. But what they can't copy is what goes on between the ears of the employees—their commitment to taking care of the customer no matter what. That's what a lot of our competitors haven't been able to get their hands around. They are not committed to the customer the way we are. They don't live it day in and day out."

"The genius, if I can use that word, of this company has to do with its chemistry."

When a customer leaves the store, he or she feels a bond with the store. Something happened in that store beyond buying a product. They found somebody in that store who really cared about their problem, or their project, or their dream list. It wasn't just someone sticking a product in their hand and sending them on their way. That's what really creates the bond with the customer."

This probably doesn't sound like the kind of experience most of us have when we go shopping. But Marcus and Blank insist that there is no reason to expect less. Says Marcus: "We believed from the start that if we brought the customer quality merchandise at the right price and offered excellent service, then we could change retailing in the United States. Today, we are the model of what retailing should be."

### Projected Home Depot Store Openings Through 1996

	'92	'93	'94	'95	'96	TOTAL*
<b>South</b>	10	13	19	25	23	180
<b>Northeast</b>	16	21	26	29	36	150
<b>West</b>	14	22	21	23	21	164
<b>Midwest</b>	0	0	2	8	30	40
<b>New Stores</b>	40	56	68	85	110	534
<b>TOTAL*</b>	215	271	339	424	534	*Includes all previously opened stores.

Source: Home Depot

decisions, you don't make mistakes. The key is to recognize that you made a mistake, correct it immediately, and learn from it. The destruction of most companies today is the fear that people have when they made a mistake. They typically cover it up. They spend an inordinate amount of time, energy, and money in the cover-up.

"When we have major company meetings, Arthur and I criticize each other to set the stage. We want people to understand that making a mistake is not a fatal error here."

Nor does it take any particular type of personality to succeed within the company. While Marcus and Blank share common goals and principles, they often characterize themselves as the Odd Couple of American retailing.

"Arthur is meticulous; he's organized,"

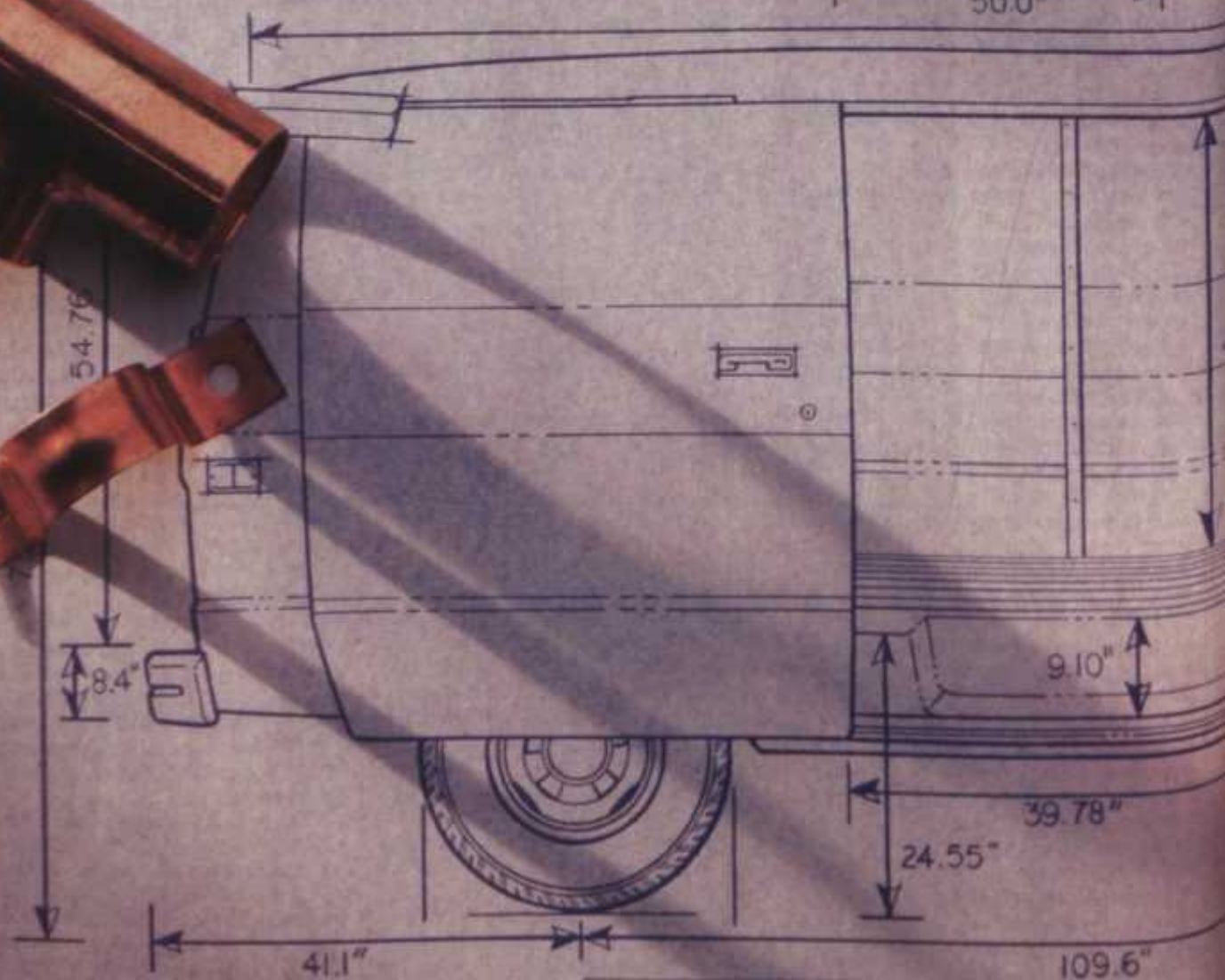
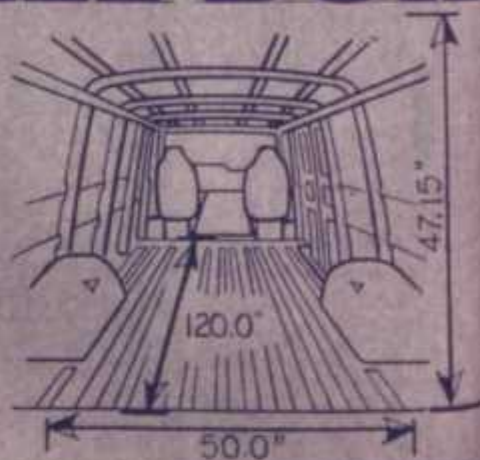


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*Figure 1*



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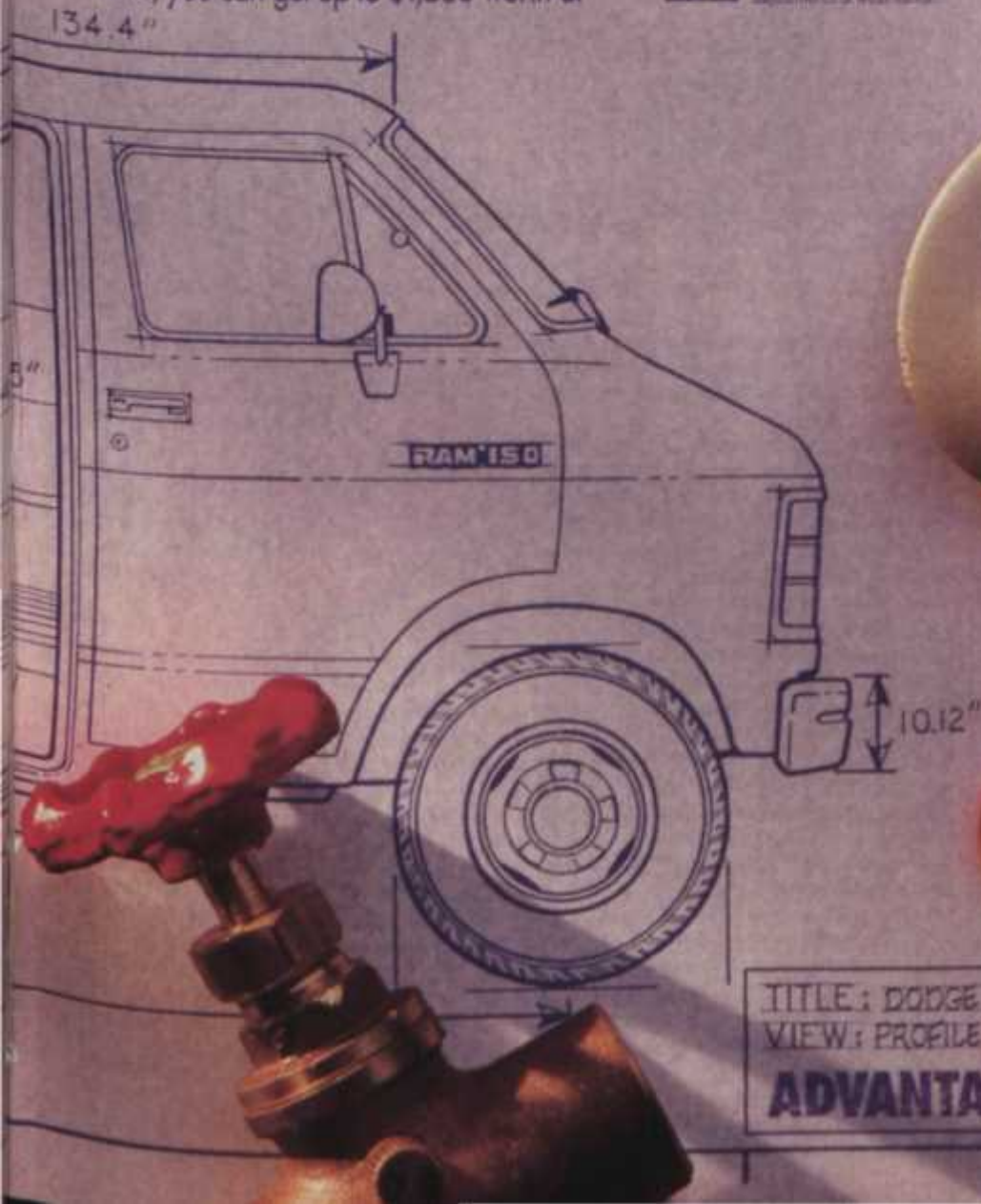
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**ADVANTAGE: DODGE**





## REGULATION

# Testing To Uncover Unfair Hiring

By Margaret A. Kennedy

*That job applicant could be a "tester" checking your hiring practices for discrimination. Here's how to avoid problems.*

**T**he federal agency that polices employers' hiring practices has adopted an aggressive policy to ferret out illegal discrimination. The Equal Employment Opportunity Commission (EEOC) decided in November 1990 to accept job-discrimination charges based on information obtained through testers—individuals who look for illegal hiring practices by applying for jobs they never intend to take.

The EEOC's decision to accept discrimination cases based on tester information is a major change in the way the agency enforces Title VII of the Civil Rights Act of 1964. Prior to this, the agency accepted discrimination cases only from actual job applicants.

In making the policy change, the EEOC said that "both Congress and the courts have recognized the effectiveness of testing as a means of identifying and combating discrimination." Evan J. Kemp Jr., the EEOC's chairman, characterizes the change as a significant step forward in the national effort to end illegal employment discrimination.

The first charge filed following the EEOC policy change came in December 1990 and involved alleged employment discrimination by a Miami department store. Suspecting widespread illegal hiring practices in the area, the local chapter of the National Association for the Advancement of Colored People (NAACP) sent pairs of similarly qualified black and white testers posing as job applicants to eight different department stores. The pairs showed up at the same store at different times on the same day and applied for the same job.

In one test, a black female law student with extensive work experience applied for a sales job but got no offer. The same day, a white female undergraduate student with some work experience also applied for the same job at the same store and received an offer immediately. In a follow-up test at that store, a black college student with some experience was offered a job for two weeks while a white college student with no experience who applied for a similar job later in the day was



ILLUSTRATION: MARGARET SCOTT

offered the same type of work for a month.

Based on these results, the NAACP filed charges with the EEOC, alleging illegal hiring practices by the department store involved.

Pending the outcome of an EEOC investigation, the store could be required to sign a consent agreement to eliminate bias in hiring, or even adopt an affirmative-action plan designed to result in the hiring of more minorities.

Since this case was filed, the EEOC has said that it is considering hiring its own testers to investigate job discrimination. The Office of Legal Counsel, the EEOC's in-house legal team, is analyzing the issue. Questions being examined include the EEOC's authority to use testers, the possible use of volunteer testers, and the liability the agency may face if it developed an in-house approach.

The obstacles in resolving these issues cast doubt on the agency's ability to proceed with an in-house tester program.

While rarely used previously in the employment setting, the use of testers is well established as a way to uncover racially discriminatory practices in apartment rentals and house sales.

Just as testers have been used in housing-discrimination cases, testers sent from private organizations such as the NAACP can be expected to apply for jobs

with a particular company or employment agency. The sponsoring groups would ensure that testers sent to a particular establishment would differ only in race or some other characteristic—such as age, sex, religion, or national origin—and that their applications would show them to be virtually equal in other respects, such as their employment histories, educational backgrounds, and references. Afterward, the company's or employment agency's

*Margaret A. Kennedy is a partner in the Akron, Ohio, law firm of Benesch, Friedlander, Coplan & Aronoff. She has extensive experience in employment law and business employment practices.*



treatment of the testers would be compared.

Since testers do not actually want the positions for which they apply, critics question whether testers are truly victims of discrimination. In legal circles, this raises the issue of "standing," a principle that only those individuals who are injured can bring a claim seeking redress. Without standing, an individual may not pursue a claim.

In a policy statement issued in November 1990, the EEOC concluded that testers do have standing to bring charges of discrimination under Title VII of the Civil Rights Act. EEOC Chairman Kemp stated that even testers have the right not to be rejected on the basis of race, color, religion, sex, age, or national origin.

Whether business can use the "standing" issue as a defense to discrimination claims based on tester evidence is being litigated in federal court in Washington, D.C. In *Fair Employment Council of Greater Washington vs. BMC Marketing Corp.*, the council alleges racially discriminatory hiring practices based on tester evidence. As a preliminary matter, the parties involved are litigating whether the testers involved have "standing" to be before the court. The EEOC has joined the case as a friend of the court, supporting the standing of testers.

Business groups view the EEOC initiative with concern. Peter Eide, manager of labor law for the U.S. Chamber of Commerce, points out that testers need not be qualified for the job they are seeking and that by definition they are not genuinely interested in taking it. "But the employer has to process the application. It's a waste of valuable time and money."

Moreover, for every tester who is offered a job, a genuine applicant is turned away. Eide says he suspects people who are denied work in favor of testers "would have a cause for legal action against the tester."

The Equal Employment Advisory Council, a group that tracks job-discrimination issues and is sponsored by 300 large corporations, also objects to testers. In a letter to Kemp, the group cited concerns about tester deception and problems with the methods of identifying discriminatory hiring practices.

John S. Irving, former general counsel of the National Labor Relations Board and now a management and labor lawyer with Kirkland and Ellis in Washington, D.C., says he thinks testers can be foiled. He suggests that employers require job applicants to sign a statement certifying that they are genuinely interested in the job and that the application has not been made under false pretenses.

In response, Kemp says that the use of testers is neither a novel nor an improper investigative technique. In addition, Kemp states that covert law-enforcement

efforts, to be effective, require misrepresentation. What's important to the EEOC, says Kemp, is the quality and reliability of the evidence provided by testers.

For employers, the best defense against testers is to ensure that the job-selection process is nondiscriminatory. There are three major steps that the employer should take:

■ First, analyze your work force to determine whether certain groups are disproportionately represented. If so, analyze your hiring practices to determine whether whites or males, for example, are hired in significantly higher numbers than blacks or females even though many applicants are black or female.

Let's say an employer has three vacancies, interviews 10 qualified applicants—five of them black—and hires three of the white applicants. An inference of discriminatory hiring can be made.

■ Second, the review process should include a thorough examination of the specific qualifications required for each job. If qualifications can be measured objectively through means such as typing tests, an employer should have no concern about testers—unless, of course, the employer is applying the objective requirements in a discriminatory fashion.

In reality, however, most employers use a combination of objective and subjective criteria in deciding on job applicants. Although the use of subjective criteria is acceptable, employers rarely define the impact that subjective qualifications will have on their decision making. As a safeguard, an employer should clearly delineate the subjective qualifications required, such as leadership, teamwork, or oral communication skills. The employer then should document the specific reasons for hiring or not hiring each job applicant.

■ Third, an employer must ensure that individuals responsible for or participating in the selection processes are adequately trained and carefully monitored. These individuals should understand the company's equal-employment-opportunity obligations and should be evaluated based on compliance with the laws.

**U**nder the EEOC's current policy, professionally trained testers are given a green light to gather information in an effort to make a case that an employer has engaged in discriminatory hiring practices. Rarely will true job applicants be able to do so as effectively because the true job applicant is interested in being hired, not in analyzing whether an employer discriminates.

All U.S. companies would be wise to review their hiring procedures. If problems are found, it will be much easier and more cost-effective to make appropriate changes now without the involvement of testers, the EEOC, or the courts. ■

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# Family Business

*Putting faith in the youngest son; a leader's "final test of greatness"; siblings in disharmony.*

## OBSERVATIONS

### Creating A Prisoner In Your Family Business

By Sharon Nelton

Chicago psychologist Kenneth Kaye calls it "the kid-brother syndrome." It's that situation in a family business where the youngest brother is seen by other family members as unmotivated or irresponsible or incompetent. They say he's spoiled or that he's smart but won't apply himself. He may abuse alcohol or other drugs, act the playboy, or exhibit other forms of failure.

"The common denominator is that

enterprise succeed. The children may also work in the family business as a way to get closer to parents who were absent from their childhood lives.

However, those born later typically find themselves in a more-affluent family setting and may be less likely to acquire a strong work ethic. "They feel—or act—as though [they are] entitled to the family money, even while rejecting the others' shared values," says Kaye.

"If ever there were a situation where an ounce of prevention is worth a pound of cure, the kid-brother syndrome is it," says Kaye. He offers three pieces of advice:

- Give as much attention to raising responsible children as you do to your business.

- Set clear expectations, including job descriptions and performance reviews, from the first day the next generation starts to work in your company.

- Plan early to create liquidity in the family's assets so as to provide outside business opportunities for sons and daughters who prove to be unhappy within your business.

If they stay in your business too long, they may have difficulty finding work elsewhere. If your capital can help set them up in businesses of their own, don't make them wait for their inheritance.

If this advice comes too late for your family, take heart. With some work, says Kaye, you can "recapture the kid brother's potential contribution." This means not only changing his habits but also changing the way family members and others in the business perceive him and treat him. This may require help from a professional who can coach family members to examine how they have contributed to the problem.

And have faith that the kid brother in your family can stand on his own two feet. Parents are often "convinced that their son would fall on his face if they were to stop propping him up," says Kaye. "Usually they are wrong."

**Have faith that the kid brother can stand on his own two feet.**

—Sharon Nelton



other family members have little respect for their kid brothers' contributions to the business, yet keep them employed there anyway—for years—while complaining about them," says Kaye. As time goes by, he warns, it becomes too late for such kid brothers to make other career choices. "They are prisoners of the family business."

The kid-brother syndrome is an "astonishingly widespread problem" among business-owning families, Kaye says. And it does seem to be a male phenomenon—perhaps, Kaye says, because sons are often expected to work in the family business (or find equally gainful employment that suits them better). A daughter can more easily stay out of the family business if she so chooses.

How come little brother gets into this fix? Well, it's not entirely his own fault.

Kaye suggests that older children acquire their parents' work ethic as they watch Mom and Dad struggle to make the

## PLANNING

### Facing The Fears Of Retirement

By Craig E. Aronoff and John L. Ward

"The day you retire, you're finished—you're dead." This simple, widely believed statement was uttered often by a 77-year-old business founder even before he came out of retirement and took back control of the firm from his son. For many, retirement from the business they built seems a matter of life and death. No wonder so few have the courage or the inclination to face it. This fear of retirement often shows up early in unwillingness or inability to engage in succession planning. We find three prevalent beliefs held by those who cannot conclude—or even begin—succession planning:

- "Retirement scares me."

- "We could lose it all."

- "This business is who I am."

Retirement is frightening. It is a new, uncertain journey—at a time when peace in life is cherished. Personal financial security is a powerful motivator to keep control of the business. The inability to "let go" is even more difficult for those who founded their businesses at a time of unemployment or family poverty.

For many who build successful enterprises, their business is their identity. It is said of one woman business owner, still in control in her 90s, that "work is her oxygen." Some entrepreneurs started their businesses at least in part to prove themselves to former bosses who had rejected or doubted them. We find that they cling to their creations more strongly than most.

For these reasons and others, too many business founders refuse to retire. They insist that only they are capable of running the business. Jealousy or insecurities relating to declining prowess generate interpersonal conflicts that sabotage succession planning or even the performance of potential successors.

If an executive has not quite achieved what he had hoped, he often wants the opportunity to stay in the game. Rather than a graceful transition, the succession process can become a war. The parties to such combat, however, should heed Winston Churchill's warning to the House of



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Commons: "If we open a quarrel between the past and the present, we shall find that we have lost the future."

Fortunately, many business owners manage to face succession planning—courageously, openly, and early. And because entrepreneurial succession is perhaps the most critical issue for family-business continuity, we're keenly interested in the makeup and background of those who do.



ILLUSTRATION: DAVID CHEN

Our conclusion: It's all a matter of outlook or attitude. Business owners who can plan succession and who can let go don't come necessarily from larger or smaller businesses. They don't come from businesses that are more or less fragile or that require more or less hands-on involvement. They don't necessarily even have more or less qualified successors to whom they can turn over their creations. They just have a different outlook or attitude toward the subject. For them, the glass is half full, not half empty.

Here are some attitudes about retirement that can help the process:

**"There's life after succession."** Many business owners have personally observed the unhappy experience of someone else who "died in the saddle." They had a partner or a friend who died young and never had a chance to retire. Or they succeeded parents who couldn't let go, and now they can't imagine imposing that oppression on another generation. These business owners see retirement as a stage in life they don't want to miss.

**"I've got so much I want to do!"** We

find those who plan succession properly are already eager to do more and different things at a relatively young age—50 or 55. They are already active in new interests (for example, teaching, politics, another venture, or philanthropy) and are pushing the preparation of their successors so they have more time—full time—for these other activities. They don't retire from their previous work but rather move up to new opportunities.

**"There was a business here before me."** In our experience, business owners who purchased their firms as part of a management buyout face succession planning more readily than business founders. It seems they recognize that presidents change but the business goes on. As one leader says, "I wasn't hanging on because I was indispensable to the business but because the business was indispensable to me." With that understanding, he found other ways to build meaning into his life and moved on.

It takes many years to prepare properly for leadership succession. The organization needs time; the departing president needs time; the successor needs time.

Surveys show that nearly two-thirds of private companies have done no succession planning. Fear of retirement is one of the many emotionally powerful excuses to avoid the subject.

Unfortunately, our culture does not provide acclaim for those who make the hard decision to do succession planning, even though so much is at stake. We worship founders, builders, chiefs—but rarely do we read about or cheer those who gracefully and successfully turn their jobs over to their successors. That seems to be an even rarer talent and accomplishment.

Perhaps that is the reason management authority Peter Drucker refers to succession planning as a leader's "final test of greatness." And having passed that test, the leader goes on to new challenges and satisfactions.



John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University of Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

## Mark Your Calendar

### Feb. 5, Ontario, Calif.

"Critical Issues Facing Family-Owned Companies" is a seminar that covers such issues as succession, estate planning, retirement, and health-care cost containment. Call Gerard Muttukumaru at the Southern California Center for Family Business, (714) 944-2598.

### Feb. 7, Chicago

"Dynamic Consulting: When Your Client Is a Family" is a seminar for professional advisers to closely held firms. Contact Family Matters, 4747 W. Peterson Ave., Chicago, Ill. 60646; (312) 685-0295.

### Feb. 14 and 20, Milwaukee

The Forum for Family Business focuses on management-development issues for family members who work in family firms. Contact Dean Fowler Associates, 740 N. Pilgrim Road, Suite 103, Elm Grove, Wis. 53122; (414) 786-6234.

### Feb. 25, Yakima, Wash.

"Business Succession Project" is a two-part program for business owners and their families. Participants, who are expected to attend a follow-up session March 10-11, will develop actual succession plans. Contact Oregon State University's Family Business Program at (503) 737-3326 or Peter Kardas at the Washington Succession Project, (206) 753-0295.

### Feb. 26, Los Angeles

"Strategic Planning in the Family Firm: What's Best for the Firm vs. What's Best for the Family" is part of a family-business breakfast series at the University of California at Los Angeles. Contact Debbie Mincey at (310) 825-2985.

### April 2-5, Miami and The Bahamas

"Advancing Your Family Business," a seminar led by management consultant F. Eugene McGrath aboard the Carnival Cruise Line cruise ship *Carnivale*. Contact Richard Polk, Captain Cruise, Inc., 2040 Broadway, Schenectady, N.Y. 12306; 1-800-347-3333.



CASE STUDY

# When The Team Falls Apart

Ed Rath, who is 75, and his wife, Edith, 68, are still controlling owners of Vantage Building Supply, which Ed started in 1944 and built into a profitable local company. Their three children—Mary, now 43; Betty, 34; and Jack, 32—each entered the business from college.

When Ed retired three years ago, he and Edith insisted that management be shared equally among the children. Fortunately, they have complementary abilities—Mary in finance, Betty in operations, and Jack in sales. Betty's talents have won her a national reputation in the industry.

Seven years ago, despite apprehension on the part of Ed and Betty, Vantage



ILLUSTRATION: DAVID CHEN

embarked on Jack's plan for regional expansion. However, since Ed's retirement, a long regional recession and competition from national companies have eroded volume and margins. Vantage is

only sporadically profitable and is strapped for working capital. Employee turnover in sales is high.

"Away from the business, Betty and Jack are fine, but in the business, they don't talk without arguing and won't share information," says Mary. "As a team we were once unbeatable, but that stopped after Dad retired."

When Betty and Jack fight, Mary says, "I try to reason with them, Dad just demands that they stop fighting, and Mom says we should hug more often. Business details slip between the cracks."

When one of her siblings goes to her father with a problem, according to Mary, Ed gets angry at the other and imposes "solutions" that quiet things down temporarily but solve nothing in the long run.

"Mom and Dad expect us to run this business together," says Mary. "What can we do?"



PHOTO: STEPHEN KIRKMAN/BLACK STAR

## It's Time To Get Outside Help

*Ernest A. Doud Jr., president of Doud & Associates, a Glendale, Calif., consulting firm specializing in family-owned and entrepreneurial businesses:*

Vantage Building Supply is in trouble, but its difficulties are overshadowed by the Rathes' quest for family harmony. They need a consultant who understands

both business fundamentals and family systems.

To get the Rathes on the path to business stability and improved family relationships, such a consultant's immediate tasks will be to help family members: (1) identify all the issues; (2) understand the interaction between family issues and business issues; and (3) realize the seriousness of their business problems.

They must begin immediately to implement whatever short-term fixes can be found to slow Vantage's accelerating downward spiral into insolvency.

Three major family issues impinge on the question of how the business will be managed. First, the parents' "commandment" that all three children manage the business has them trapped by family loyalty. Ed and Edith must allow open consideration of a variety of options to management (and ownership).

Second, the conflict between Jack and Betty is sibling rivalry gone amok. Betty's operational responsibilities and stature in the industry seem to be threatening to Jack, who may see himself as the "natural" next leader of the business. Betty likely believes she is good enough to lead the business and sees Jack as a competitor. Betty and Jack—with family support—should consult a family therapist.

Third, approval of regional expansion was a "family first" approach to a strategic change in the business—that is, it put the desire for family harmony ahead of sound business planning. The Rathes need to professionalize their approach to both operational and strategic business decision making and should objectively evaluate the regional expansion strategy. The right consultant can help the Rathes develop a joint family and business strategic-planning process.



PHOTO: KIM DORRANCE JR.

## Deal With The Leadership Issue

*Nancy Drozdow, a principal with the Wharton Center for Applied Research, in Philadelphia, and director of its family-business practice:*

Ed and Edith have abdicated responsibility for the continuity of their business, leaving it in the hands of unprepared children who are also their key managers.

Family members seem to ignore the issue of ownership, suggesting that none of them is thinking about the business as an asset and using his or her position as an owner to assure the business's continued value.

Certainly when the family considered Jack's plan for expansion, Ed could have—and should have—examined the potential risks and returns that might result, even as he wrestled with how to support his son's wishes. Where are the business people in this family business?

The Rathes' first effort must be to make use of what has probably been a startling discovery: that their family relationships do not automatically translate into workability in their business relationships. They may have assumed that since they are "fine" away from the business, they would also be fine inside the business. They should now determine whether they are willing to explicitly choose to be in business together, and if so, under what conditions.

At the same time, the family needs help in coming to terms with the issue of the business's leadership. Since Ed and Edith still retain controlling ownership of Vantage Building Supply, they need to step back in and help their children select a leader. By inviting their children into the business initially, they have an implied contract to have in place an ownership and organizational structure that can support the development of the business.

Given current and future competitive pressures, decisive leadership from one of the siblings—leadership that builds on the strengths of the others—is essential to turning this business around.

This is one of a series of case studies of family-business dilemmas, commented on by members of the Family Firm Institute and edited by Cleveland business consultant Ernesto J. Poza. The cases are real, but identities have been changed to protect the privacy of the individuals involved. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Johnstown, N.Y.



# Benefits Update

*Skyrocketing medical expenses push employers' costs for employee benefits to new highs.*

By Roger Thompson

## SURVEY RESULTS

### Costs For Firms Set A Record

American employers on average spent a record \$12,402 per full-time worker in 1990 to provide an array of employee benefits, ranging from medical insurance and Social Security to vacations and pensions. That amounts to a 7.6 percent increase in benefit costs over the previous year, when the total was \$11,527, according to the annual *Employee Benefits* survey conducted by the U.S. Chamber of Commerce.

Benefits as a percentage of payroll averaged 38.4 percent in 1990, up from 37.6 percent in 1989.

Public utilities paid the highest benefit costs—an average \$16,330 per employee—and department stores paid the lowest—\$5,287 per employee. (See the accompanying chart.)

In 1990, for the first time, total employee benefits nationwide surpassed the \$1 trillion mark, an increase of more than \$60 billion from 1989. That represents a fourfold increase in benefits expenditures in just 15 years.

Employee benefits cost employers \$244 billion in 1975, which equaled 30 percent of payroll at the time.

"The most significant result of this year's survey was the continued increase in medical and medically related costs, despite measures taken to control them," according to the report. Medical costs accounted for 60 percent of the increase in benefits in 1990.

All medically related costs—including health insurance, long-term and short-term disability insurance, retiree health insurance, vision care, wellness, and other related programs paid by employers—rose to an average of \$3,197 per employee in 1990, up 12.1 percent from 1989. Medically related costs have jumped by 26 percent since 1988, when the same benefits cost employers \$2,538.

Health and dental insurance alone rose to an average of \$2,569 per employee in 1990, up 10 percent from \$2,338 in 1989. The two-year increase in health- and dental-insurance costs comes to 25.2 percent.

In an effort to curb rising health costs, many companies are requiring workers to

### Employers' Average Annual Cost Per Employee For All Benefits, By Industry

	1990	1989	Change
Public utilities	\$16,330	\$15,174	7.6%
Transportation equipment	15,691	14,264	10.0
Rubber, leather, and plastic products	15,458	13,376	15.6
Electrical machinery, equipment, and supplies	14,792	11,988	23.4
Petroleum industry	14,491	15,027	-3.6
Machinery (excluding electrical)	13,787	12,288	12.2
Primary-metal industries	13,526	13,704	-1.3
Chemicals and allied products	13,158	14,653	-10.2
Instruments and miscellaneous manufacturing industries	13,025	13,190	-1.3
Pulp, paper, lumber, and furniture	12,747	10,361	23.0
Fabricated metal products	12,747	14,990	-15.0
Food, beverage, and tobacco	12,682	11,173	13.5
Miscellaneous nonmanufacturing industries	12,533	11,151	12.4
Insurance companies	11,471	11,019	4.1
Stone, clay, and glass products	11,232	9,405	19.4
Printing and publishing	10,809	9,693	11.5
Hospitals	9,665	8,774	10.2
Banks, finance companies, and trust companies	8,963	8,881	0.9
Textile products and apparel	6,368	5,996	6.2
Trade (wholesale and retail)	6,156	6,981	-11.8
Department stores	5,287	5,023	5.3

Source: U.S. Chamber of Commerce

pay more. "There is a lot of cost shifting going on," says Martin Lefkowitz, who conducted the survey as director of special projects for the U.S. Chamber of Commerce.

Forty-seven percent of the 1,000 companies participating in the survey reported that in 1990 they either established deductibles for the first time or increased an existing deductible. Thirty-seven percent said they had boosted the percentage of health-insurance premiums paid by their employees.

Increasingly, companies also are turning to some form of managed care to help combat rising costs. Managed-care plans restrict employees' choice of medical providers, who cut their fees in exchange for the increased volume derived from such arrangements. The survey found that one-third of the companies had instituted managed-care health plans over the previous two years.

Despite various cost-containment strategies, the survey noted, employers' medically related expenses in 1990 increased at more than twice the rate of payroll

costs—12.1 percent compared with 5.4 percent.

Although medical-cost escalation is a problem nationwide, the survey found large regional variations in average costs. The differential in medically related benefits between the highest and the lowest cost area was more than 65 percent. The average amount spent per employee for all medically related benefits totaled \$4,103 in the Northeast, compared with \$3,323 in the West, \$2,726 in the Midwest, and \$2,474 in the Southeast.

Looking back over the past decade, it is clear that health-care cost containment has become a chronic problem for employers. From 1980 to 1990, employers' costs of providing health and dental insurance surged by 199 percent, more than three times the level of increase in the consumer price index, which rose 59 percent during the same period.

Among the 1,000 companies participating in the survey, 222 had fewer than 100 employees, and 125 had more than 5,000 employees. Altogether, the companies surveyed employ more than 3.7 million



people, making *Employee Benefits* the largest survey of its kind.

The survey has been published annually since 1979. It tracks eight categories of benefits: those that are required by law (Social Security, for example), retirement and savings, life insurance and death benefits, medical and medically related benefits, paid rest periods and lunch, vacations and holidays, sick leave, and miscellaneous.

Among its other findings, the survey reported that traditional defined-benefit pension plans, funded entirely by employers, continued their sharp decline. Only 41 percent of the firms reported offering these plans in 1990, compared with 48 percent in 1987.

For more than half of the employers surveyed, a 401(k) savings plan, which puts most of the responsibility for retirement savings onto employees, is now the retirement plan of choice.

However, according to the survey, even the use of 401(k) plans decreased slightly in 1990, with 52 percent of the companies offering them, compared with 54 percent the year before.

In 1987, only 39 percent of companies surveyed offered 401(k) plans.

#### HOW TO ORDER

### Printed Copies And Software

Copies of *Employee Benefits*, 1991 Edition are available for \$25 each, plus \$2.95 postage and handling. Add appropriate sales tax for deliveries to California and Washington, D.C. Quantity discounts are available.

To order, write to Publications Fulfillment (RKVL), U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062-2000. Make check or money order payable to the U.S. Chamber of Commerce.

To order by phone, call 1-800-638-6582; in Maryland, 1-800-352-1450.

Also available is **Employee Benefits Analyzer**, a computer software program that allows companies to compare their benefits with those typically offered by other companies according to industry, geographic region, and size. The program costs \$95.

This year it also allows companies to run "what-if" scenarios.

The program runs on IBM and compatible computers with a minimum 256K RAM and the DOS operating system, and it is available on either 5 1/4- or 3 1/2-inch diskettes.

The computer program is available through the U.S. Chamber address and phone number above.



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## TECHNOLOGY

# Office Machines: More For Less

*What is new? The theme for office equipment this year is making your documents look better with either less cost or less fuss.*

By Jon Pepper

**F**or a business, looking good means looking professional, and changes in the market now make it a lot easier to choose office equipment that helps businesses of any size look (and sound) professional.

Even better, the technological maturation of many traditional products, such as copiers and fax machines, and the price drops caused by advancing technology and increased competition make the office-equipment market a true buyer's market. If you are looking to buy office equipment, now is the time.

Says Michael Kabo, director of administrative services for Philadelphia-based Conrail: "Every year the prices come down, and the features, speed, and value of the equipment increase. This is a great scenario from a buyer's perspective."

Copiers and fax machines dominate the office-equipment market. Both of these products offer plenty of great buys and a diversity of choices, says Carl Lindquist, senior consultant to BIS Strategic Decisions, an international market and research firm in Norwell, Mass. "There is little difference in design from one product to another," Lindquist says, yet intangibles do make a difference: Customer-satisfaction guarantees, extended warranties, and more distribution channels are among them.

Conrail's Kabo says improvements in technology are still making differences in products. "We watch the technology that comes out and try to find a way to balance our purchases from a return-on-investment standpoint," says Kabo.

What is new? The general theme for this year in office equipment is how to make your documents look better with either less cost or less fuss, depending on your choice of technology and approach.

Prices on color copiers are dropping. The market should grow from about \$160 million this year to over \$1 billion by 1995, according to BIS Strategic Decisions.

For faxes, looking better means the continued proliferation of plain-paper machines, as more and more companies replace their thermal-paper products. "For stand-alone fax machines, the word right now is clearly plain paper," says Judy Pirani, an analyst with BIS.

Plain-paper machines are showing up

in the retail channel and mail-order catalogs. Once slow, the page-per-minute output is dramatically improving.

PC-based fax boards and combination fax/modems are continuing to grow in popularity. Says Pirani: "Other technology alternatives besides dedicated fax machines will really start to take hold in the next few years."

Conrail's Kabo is already buying into the plain-paper phenomenon, though re-

office equipment market, the concept of looking good extends to making it considerably easier for all documents created in an office to have a professional look, regardless of the equipment's price.

This translates into much-lower-cost, easier-to-use color-output devices, and a continued slide in the price of laser printers.

Several vendors are now offering cost-effective color printers that can work on plain paper, which represents a real breakthrough for the general office market. Instead of printing a chart or graph on special paper and trying to integrate it into a document, you can now buy plain-paper printers that make the job as easy as printing in black and white.

New developments, in particular the solid-ink color printers (see the printer section below), make it possible for you to purchase a single printer that can handle both your color and black-and-white needs. Want to add color highlights to a report, or integrate a color pie chart in a letter? This is now well within the reach of most businesses.

And with more and more laser printers aimed at the entry-level market, dot-matrix printers may soon go the way of the electric typewriter. "We are certainly moving away from the dot-matrix environment," says Charlie Fote, the manager of office workstations at Conrail. Conrail is adding personal lasers for individuals and is looking at shared printers on local area networks (LANs) for work groups. "We want to put high-quality, high-volume shareable devices on a LAN wherever we can," Fote says.

**A**s prices slide and performance increases for all equipment, documents can consistently achieve a high-quality look. At Conrail, which several years ago began a major internal refocusing on quality in all aspects of the business, this means that even the office can be part of the quality initiative. "We want all of our products to be excellent, and it is much easier for our image to be consistent when documents look good," says Rich Kenney, Conrail's manager of office support.

The quantity of good choices can be overwhelming for buyers, and we haven't



PHOTO: GAIL DIMARCO JR./BLACK STAR

Michael Kabo, left, and Charlie Fote of Conrail: Low price and high performance make a "great scenario."

placing existing units is based on the cost per copy. "We will replace thermal units when the cost of plain paper matches or beats the cost per copy for thermal—it is all a matter of dollars and cents," he explains.

Market forecasts show that about 500,000 fax/modem units should be sold this year, which represents a large jump from the previous year. And by 1994, this should grow to almost 2 million units, with a market value of close to \$500 million.

The other development in the facsimile market—color—is still early in its cycle. Sharp's color fax system may sell into niche markets, but it will be some time before it is seriously considered for the average office. "Until people create color documents more regularly, you won't see the need for color fax machines in the mainstream environment," says Pirani.

However, the ability to create color documents is becoming much more cost-effective. And, beyond the traditional



the room to create a comprehensive listing of office equipment. However, we have tried to select products that represent particularly good values, are best sellers, exemplify market trends, or are harbingers of new technology.

What follows, then, are our picks of some of the best in office equipment for the coming season.

## COPIERS



Canon NP1500 Copier

### Sharp SD-2075

The SD-2075 is a high-volume (Segment 5) copier that combines flexibility, user-friendly controls, and a high duty cycle. Rated at 75 copies per minute, the SD-2075 can handle monthly volumes as high as 150,000 copies.

Notable features include advanced finishing abilities such as collating and stapling, a 1,000-sheet offset stacker, and the ability to recycle originals for repeat copying. Also standard is the Computer Forms Feeder, which enables as many as 1,000 sheets of unseparated computer paper to be fed and copied automatically.

Controls include enlargement and reduction, duplex copying, auto tray switching, and the ability to create customized copier programs via software. All these bells and whistles push the retail price to \$33,000; 1-800-BE-SHARP.

### Toshiba 1710

Toshiba offers a fairly compact desktop copier, the 1710, which provides 17 copies per minute and has a wide range of standard features. You get both automatic controlled exposure and automatic toner control, edge-to-edge copying ability, reduction and enlargement, and up to 999 copies from a single command.

A graphic display on the control panel offers immediate status of all copier functions, and the stationary-platen design keeps originals tightly registered during the copy process.

Options include a color developer unit (for red or blue), an automatic document feeder, a key counter, and a second paper drawer. Suggested list price on the 1710 is \$3,499; 714-583-3000.

### Mita DC-3555

Mita's DC-3555 represents a fine value in the middle range. This 35-copies-per-minute machine includes an integrated binding ability; using an electrothermal binding process, it can glue as many as 30 pages together to create a bound booklet.

The first copy out takes four seconds, and documents up to 11 by 17 inches can be produced. For additional paper capacity, a 2,500-sheet cassette can be added to the three standard cassettes (which total 750 sheets). Other notable features are user-programmable memory keys, a large LCD message display, one-touch duplexing (on the more advanced DC-3585 model), and split-page copying.

List price on the DC-3555 is \$5,695. The DC-3585 model, which adds extra paper capacity and several other features, retails for \$8,495; 1-800-ABC-MITA.

### Lanier Model 6523

Lanier's 6523 is designed to provide fairly high-end features in a low-volume copier. Rated at 30,000 copies per month, the 6523 can produce a first copy in 7.5 seconds and can make up to 999 copies with one control setting.

Other key features include a 50-sheet automatic document feeder, an automatic sorter/finisher, and the ability to handle mixed original sizes. There is a zoom reduction/enlargement feature with nine presets, and the copier also has automatic exposure, color cartridges (red and blue), and optional 10- or 20-bin sorter/finishers.

List: \$4,595; 1-800-852-2679.

### Canon NP1500

Users looking for a low-cost copier with ease of maintenance and sophisticated features might be attracted to the Canon NP1500 copier. This 15-copies-per-minute machine is based on Canon's single-unit cartridge system, which is easy to install and replace.

Maximum original size is 11 by 17 inches, with reduction and enlargement in 1 percent increments, a first-copy time of 12 seconds, up to 99 copies on a single touch, and a 250-sheet front-loading paper cassette.

Options for the NP1500 include a 30-sheet automatic document feeder and a 10-bin sorter. The NP1500 is covered by the Canon Performance Guarantee Program, which includes maintenance, parts, and even total machine replacement for three years from installation.

List: \$2,795; 1-800-OK-CANON.

Copier technology is rapidly introducing remote monitoring systems for serv-

ice. Both Toshiba and Panasonic have introduced remote monitoring. The Toshiba Remote Access Copier Evaluator lets dealers monitor your copier status over the phone and detect errors, track maintenance cycles, and count copies produced.

The Panasonic Remote Operating System lets dealers both monitor and adjust various operating functions. For instance, some simpler problems—those dealing with image density, registration, and exposure—can be diagnosed and corrected over the phone.

## PRINTERS



Seiko Personal ColorPoint

Hewlett-Packard dominates the printer market and continues to offer rugged printers with major technical advances. Other printer manufacturers offer excellent products as well, often choosing to compete on price for the first-time user.

### Epson ActionLaser II

Epson's ActionLaser is typical of the new push toward ease of use. The printer comes with documentation designed to reach those not familiar with laser printers. Similarly, the replacement cartridges are designed for easy use by the inexperienced.

The six-page-per-minute print engine offers crisp text and graphics at 300 dots per inch, and a built-in printer-sharing feature lets two computers connect to the printer simultaneously. An option board allows three printers to share the ActionLaser II. Other options include PostScript and additional memory, while HP-compatibility is standard.

List: \$999; 1-800-922-8911.

### Lexmark/IBM Model 10

Lexmark, which is now the manufacturing and distribution arm for IBM's line of laser printers, has some impressive new products. The Model 10 is a compact laser printer that is powered by a high-performance Motorola 68020 processor and produces 10 pages per minute.

The Model 10 and all other printers in the line come with a setup disk that loads all the printer drivers onto your PC automatically so you are ready to take



## TECHNOLOGY

advantage of the printer's features without complication.

Print quality is excellent. Options include a 600-dot-per-inch PostScript and an automatic envelope feeder that handles 75 envelopes.

List: \$2,395; 1-800-IBM-2468.

## COLOR PRINTERS



Hewlett-Packard DeskJet 500C

Few changes can have as much impact on your office documents as color. However, adding color has either been prohibitively expensive or unnecessarily complicated until very recently.

Now a range of choices lets you add high-quality, vibrant color to business documents, including the option of using plain paper in some cases. The following printers are examples of the new options open for cost-effective color printing.

**Brother HT-500PS**

This full-color printer, based on thermal-transfer print technology, can produce as many as 16.7 million colors at 300-dot-per-inch resolution. Compatible with almost any personal computer, including Apple Macintosh and PC compatibles, the HT-500PS comes with PostScript, 36 resident fonts, and 5MB of RAM. It is compatible with Adobe Type 1 soft fonts.

Capabilities include the ability to print overhead transparencies, the ability to print three- and four-color separations, and an easy-to-use, menu-driven setup panel on the display panel. Plus, the printer has an option—attractive to users who need quick and inexpensive copies for proofing—that lets it bypass color printing and get black-and-white copies from a laser printer. Because it uses thermal-transfer technology, however, the Brother printer requires special paper.

List: \$4,995; 908-356-8800.

**Dataproducts JOLT**

The JOLT prints in full color on plain paper with an ease of use that rivals a conventional laser printer. Its key feature is the use of solid-ink technology.

In solid-ink technology (also used by Tektronix, which calls its version "phase-change solid-ink" printing), crayonlike solid ink blocks are heated, jetted onto the

paper, and then immediately cooled so they solidify. The result is rich color on plain paper. Most other color printing methods require coated or other special paper.

This means the JOLT, which offers color at 300 by 300 dots per inch, can produce laserlike text as well as full color, so you can pretty much mix and match your documents. That is, you can print a report as you ordinarily would, but add a color logo, color highlights, a full-color graphic, or any other combination.

Base speed is two pages per minute for text and about one page per minute for integrated text and graphics. The four ink packs (black, cyan, magenta, and yellow) snap into place, and the JOLT, which has the size and shape of a conventional laser printer, will work with either Macs or PCs.

All in all, this is a printer well worth investigating.

List: \$4,995, or \$6,995 for the PostScript version; 1-800-BUY-JOLT.

**Seiko Personal ColorPoint**

The Personal ColorPoint is a low-cost, 300-dot-per-inch printer that can print color on either high-quality plain paper or coated stock.

Full-color pages can be printed in less than two minutes, and the ColorPoint works particularly well for creating overhead transparencies. Its prepared sheets are stacked into cartridges for convenient loading and unloading and can print up to 99 copies.

List: \$3,999; 1-800-255-7617.

**Hewlett-Packard DeskJet 500C**

HP's popular inkjet printers are joined by a color version that produces black or color output at 300 dots per inch. All the user has to do is switch a single cartridge. The 500C will handle letter- and legal-size plain paper, envelopes, coated paper, labels, and transparencies.

HP invented inkjet technology and continues to offer upgrades on its older units. Owners of the DeskJet 500 can upgrade to the color model for \$450; for older DeskJet models, the upgrade list price is \$550.

List: \$1,095; 1-800-752-0900.

**Canon BubbleJet BJC-800**

Canon has a unique entry in the plain-paper color field with its BJC-800. Using four ink cartridges (cyan, magenta, yellow, and black) along with a 64-nozzle print head, this inkjet printer can produce resolution of 360 by 360 dots per inch over a wide range of colors.

Speeds of up to 600 characters per second are possible, and the printer operates at an extremely quiet 45 decibels. Output can be to plain cut paper, envelopes, or overhead transparencies. One minor drawback is that you need to

choose either a Mac or a PC model; the printer will not operate with both hardware platforms.

List: \$2,795; 1-800-OK-CANON.

## FACSIMILE



Sharp FO-9000 Color Facsimile

**Sharp FO-5300**

Sharp's advanced plain-paper fax model includes remote programming, an auto-maintenance system, a 50-page automatic document feeder, and a laser printer engine. The latter feature helps keep the cost per copy page under 3 cents, compared with about 5 to 7 cents for thermal fax systems and 7 cents or more per page for inkjet-based plain-paper systems.

Other features include an auto contrast control, storage of 99 numbers for fax and 99 numbers for voice calls, generation of automatic cover sheets, and a 250-sheet paper capacity.

List: \$3,595; 1-800-BE-SHARP.

**Sharp FO-9000**

For the more adventurous, Sharp offers the FO-9000, the world's first full-color desktop fax system. Using a proprietary digital image-processing technology, combined with a dye sublimation printer and data compression techniques, the system can transmit full color of any original up to 8½ by 11 inches.

Sharp uses a color scanner of its own design to get vibrant color reproduction and employs a special color-image compression technology to send the complex color images in less time. However, it still takes about three minutes to send a conventional color image over standard phone lines.

The list price is \$31,995. And of course, you need an FO-9000 at each end of the telephone link; 1-800-BE-SHARP.

**Panafax UF-733**

Panasonic's midvolume plain-paper fax machine, the Panafax UF-733, is a laser-printer-based model that offers a lower cost per page and higher quality than its low-end inkjet model.

Standard features include a 20-page memory for storing incoming documents (or delayed outgoing transmission). \*



250-sheet paper tray, a 70-number autodialer, and a 30-page automatic document feeder.

For more intensive applications, the memory can be expanded to hold either 30 or 60 pages.

List: \$3,295; 1-800-843-0080.

#### Canon Fax-L770

Canon's plain-paper machine is based on its popular laser-printer technology, used by such leading laser-printer manufacturers as Apple and Hewlett-Packard. The FAX-L770 offers very-high-quality output, has a single-unit, cartridge-based consumables system, and has Edge Enhancement technology to provide crisper text and graphics. Overall print quality on incoming documents on the L770 is first-rate.

Both a 250-sheet cassette and a 50-sheet paper tray are standard, and the L770 also has a 30-page automatic document feeder and a 140-number autodialer.

Other standard features include a 24-page memory (expandable to 120 pages), 32 confidential, password-accessible mailboxes, and a transmission speed that averages nine seconds per page.

List: \$4,295; 1-800-OK-CANON.

#### Mita LDC-560

Though perhaps better known for its copiers, Mita nonetheless offers an impressive plain-paper fax—its LDC-560. The unit features dual paper cassettes, laser-based printing technology, and an expandable memory capacity.

Total paper capacity is 750 sheets (250 in the upper tray, 500 in the lower), with a base memory capacity of 30 pages. However, this can be expanded to 150 pages, making the LDC-560 especially appealing for receiving large unattended faxes or sending out multiple documents at a programmed time.

The LDC-560 also has a 100-number automatic dialer, a 50-page automatic document feeder, programmable function keys, and an automatic error correction mode.

List: less than \$4,000; 1-800-ABC-MITA.

#### Murata F-75

Murata's F-75 is a plain-paper fax that's excellent in both price and performance. The unit uses an LED printing technology (based on a Casio print engine) that offers high-quality output on regular paper, and it can accommodate up to 250 sheets of both letter- and legal-size paper. The F-75 also has a SecureMail feature that can encode transmissions sent between two Murata fax machines, a 100-number automatic dialer, and a 30-page automatic document feeder. With all that, the machine still weighs in at less than 17 pounds.

List: \$3,495; (214) 403-3300.

#### Hewlett-Packard LaserJet

HP's LaserJet fax is designed for installations that already have an HP LaserJet (or compatible) printer. Essentially, the unit looks like and performs like a conventional fax, but it is missing one element: the printer.

Printing functions are handled by connecting the LaserJet Fax to your laser printer, so you obviously end up with excellent print quality.

Facsimile features include 13 pages of memory storage (upgradable to 70 pages), a five-page document feeder, and a stand that allows the unit to be positioned on top of your HP printer to conserve desk space.

List: \$1,895; 1-800-752-0900.

#### Intel SatisFAXtion Board

If you are looking for an add-in board that can handle fax functions for you, the Intel SatisFAXtion board represents an excellent value. The board provides not only sophisticated fax functions but also modem transfers, a built-in scanner port, and enough intelligence to perform all its work in the background.

This last feature means the SatisFAXtion board can send and receive faxes while you use your PC for other functions, which is a big plus.

Installation is very simple, and the memory-resident part of the fax software can be loaded into high memory to conserve precious DOS RAM.

Features include a 100-number automatic dialer, advanced polling, and multiple-broadcast abilities, which let you send your faxes to up to 100 different numbers with one command, and, of course, the capability of sending faxes directly from your PC without printing them out first.

List: \$499; 1-800-538-3373.

## ODDS & ENDS



NoRad Shield

#### NoRad Shield

NoRad Corp. offers monitor shields that help reduce or eliminate glare and electromagnetic radiation (EMR) and improve contrast.

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shields, the NoRad shields come in sizes that can accommodate even 19-inch displays, a big plus if you have users at large-screen engineering workstations or desktop-publishing workstations.

Prices vary with the model selected; 1-800-262-3260.

#### NYNEX Fast Track

Could your company benefit from having telephone numbers for virtually all consumers and businesses on disk? If so, then the NYNEX Fast Track Digital Directory is an enticing product.

The set of nine CD ROM disks contains 77 million consumer and business listings from all 50 states, and you can search by ZIP Code, telephone number, and other criteria. The set is packaged by geographic region.

A list price is not yet set for this new product; 1-800-338-0646.

#### Hunt MediaMate FasTrac

MediaMate's FasTrac mouse pad (Hunt Manufacturing Co., Philadelphia) is a specially designed mouse pad that features a molded plastic surface designed to offer faster tracking performance.

The surface is stain-resistant and wipes clean easily, so that less dirt and dust are introduced to the mouse-tracking mechanism.

The pad also has a contoured front edge for great wrist comfort.

List: \$6.98; 1-800-446-7823.

#### AT&T Transmobile Cellular Telephone 3035

AT&T has entered the cellular-telephone market with its Transmobile Cellular Telephone 3035. This compact unit is designed primarily for use in multicar installations. The 3035 requires no hard-wired installation and draws power from the auto's cigarette lighter. The package includes a handset, transceiver, flexible antenna, and a power adapter. When used with a battery kit, the phone can be used away from a car.

List price is \$600 (available through AT&T Phone Center stores).

#### Zen Office Seating

Nothing, but nothing, beats a good office chair for improving the efficiency of all of your other office equipment.

The unique Zen chair promises to help eliminate poor posture and bad sitting habits. The chair's flexible backbone adjusts to provide good lower-back support while not reducing freedom of movement.

It won't give you the wisdom of a Zen master, but the unique shape and composite compression manufacturing helped win the chair a Best of Category award from the Society of Plastics Industry's Composites Institute.

Prices vary with finish and model; Panel Concepts: 1-800-624-6118.



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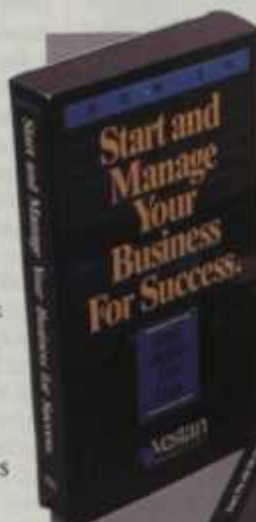
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## LEGISLATION

# Two Tax Proposals Attract Support

By Joan C. Szabo

**A**s federal lawmakers continue working on a tax package related to economic growth, efforts are also under way for enactment of two additional tax proposals. One would increase taxpayers' protections when dealing with the Internal Revenue Service, and the other would simplify certain complex tax laws.

In the taxpayer-rights area, Sen. David Pryor, D-Ark., chairman of the Senate Finance Subcommittee on Private Retirement Plans and Oversight of the Internal Revenue Service, was preparing a bill to be introduced in February to enhance the 1988 Taxpayer's Bill of Rights law. Rep. J.J. Pickle, D-Texas, chairman of the House Ways and Means Oversight Subcommittee, already has introduced a similar measure in the House.

Among other things, the 1988 law required the IRS to give taxpayers a written statement about their rights when they face an IRS audit or collection matter. It also increased their rights during an audit or examination review and mandated greater clarity in deficiency notices the IRS sends to taxpayers.

Despite such protections, complaints about inequities in the tax-administration process still are common, and the system remains burdensome to taxpayers, says Benson Goldstein, manager of the Tax Policy Center for the U.S. Chamber of Commerce.

A recent example involves Ramon Portillo, an El Paso, Texas, painting contractor who, the IRS said, underreported payment received for work. He claimed he received \$13,925, but the contractor who paid him claimed a \$35,305 tax deduction for the work. Five years ago, the IRS demanded Portillo pay additional taxes and penalties, saying the burden was on him to prove he had not been paid the higher amount. Portillo challenged the IRS in court and borrowed nearly \$25,000 from his relatives to pay the debt and mounting interest the IRS claimed he owed. Recently, the 5th U.S. Circuit Court of Appeals ruled in Portillo's favor, but as of mid-January his overpayment had not been refunded to him.

Pryor, the Senate sponsor of the first law, says another statute is needed to improve the relationship between the taxpayer and the tax collector. Among the most significant changes sought by Pryor and Pickle is creation of an independent



PHOTO: T. MICHAEL KEZA

**Sen. David Pryor, sponsor of a bill to expand taxpayers' rights.**

ombudsman. The current ombudsman reports to the IRS commissioner and thus is unable to help taxpayers resolve problems effectively with other IRS personnel, says Goldstein.

The measure also would eliminate an interest-rate differential: The rate now charged on taxpayers' underpayments is higher than the rate paid by the IRS when refunding overpayments. "By eliminating the interest differential, the new legislation would help restore a sense of equity to the Tax Code and to the tax-administration process," says Goldstein.

In addition, under the proposal, the Treasury Department's regulations to implement the tax law would take effect when they are issued—in final, temporary, or proposed form—and not retroactively. This means a taxpayer could not be penalized for actions contrary to the new regulation until the department's guidelines have been issued. Further, the burden of proof in tax proceedings would be shifted to the IRS for the purpose of recovery of professional fees.

Pryor says the outlook for passage is good because taxation committees in both the House and the Senate already have demonstrated support for a second law. It

*More protections and fewer complexities are the aims of two pending tax measures.*

also is likely that the taxpayer-rights measure may be attached to a larger tax package that lawmakers are likely to enact during this session of Congress.

In the tax-simplification area, several measures introduced in the last session of Congress are likely to win congressional approval as part of a broad tax package. The measures include provisions to simplify the payroll-tax deposit system, revise estimated-tax rules for small corporations, permit individuals to pay taxes by credit cards, and permit S corporations to be members of affiliated groups.

In addition, two separate measures have been introduced by Rep. Dan Rostenkowski, D-Ill., chairman of the House Ways and Means Committee, that would simplify pension-plan requirements for small employers and require purchased intangible assets, including good will and going-concern value, to be written off on a 14-year straight-line basis even if a shorter life could be demonstrated. Other assets under the 14-year amortization period would include a work force in place, customer-based intangibles, supplier-based intangibles, and know-how, including computer software, films, and package designs.

In the payroll-tax area, the proposed bill would replace the existing complex payroll-tax deposit system with a more uniform one that would apply to the majority of employers. Under this proposal, withheld payroll taxes attributable to wages paid on Wednesday, Thursday, or Friday would be deposited on or before the following Tuesday. Amounts attributable to wages paid on Saturday, Sunday, Monday, or Tuesday would be deposited on or before the following Friday. As under current law, however, large employers would make deposits the day after their accumulated payroll-tax deposit liability equaled \$100,000 or more.

Small depositors, generally those who have been required to make less than \$3,500 in quarterly payroll-tax deposits over a two-year period, would be required to make quarterly deposits on the last day of the first month following the close of a quarter.

Despite the push to simplify the tax laws, taxpayers should not anticipate significant reform, says Goldstein. "The tax code is so complex. If Congress makes a dent in this area, it will be a small one."



## EDUCATION

# This Is Not Your Father's MBA

By Ripley Hotch

*Business schools are revising traditional MBA programs to make their graduates more marketable.*



**J**anet Lin lies on her back on the ground, looking up at the 10 people in shorts and T-shirts around her. They bend down and work their hands under her, and then, on signal, lift her quickly over their heads—and hold her there.

"I know this might sound a little strange," says Vince Roth, one of the lifters, "but I do think that we will become better managers as a result of this exercise."

Around the grounds of Bradford Woods, part of the Indiana University's School of Physical Education, other groups are engaging in similar odd exercises, with names like "the wild woozy," "nitro crossing," "human drop," and "spider's web."

The students who are scattered over the grounds are the 300 members of Indiana's incoming MBA class, with 60 "mentors" like Vince Roth, from last year's class.

What Indiana calls its "MBA Leadership Challenge at Bradford Woods" is part of a major trend among America's business schools—away from the traditionally structured MBA and toward a

**Classmates** of Indiana University MBA student Janet Lin lift her in an exercise designed to create trust among members.

new definition of business management. The pressure to change comes from business people's dissatisfaction with MBA graduates who seemed more interested in their own careers than in the needs of the companies they joined.

Says Richard A. Cosier, dean of Indiana's School of Business: "Feedback from our corporate friends suggested that business schools were getting out of step with needs of corporations because we were focusing on competition and individualism, through both the program structure and the grading system."

The new MBA program that was begun in 1991 at Indiana stresses team building and leadership before financial skills and courses in organizational behavior. All the first-year students take classes together in "cohorts" of about 65 students, instead of the accidental groupings of traditional classes. And, as a final effort to build teams, each cohort gets one grade—the same grade for everyone.

Criticism of traditional MBA programs is not new, but the pressure has built significantly in the past decade, partly as a result of success: 73,000 students entered the more than 750 MBA programs this year. MBAs account for 20 percent of all master's degrees awarded.

Charles Hickman, director of projects and services of the American Assembly of Collegiate Schools of Business, the accrediting body for business school degrees, compares business schools with other types of schools within universities. "Business schools get more students and better students that have better placement records," he says, "and they have more money donated to them. With that success come higher expectations."

Hickman cites the major areas that critics find wanting: international affairs, management of technology, management of diversity in the workplace, environment, operations, ethics, communication skills, leadership skills. Traditional strengths in organizational and financial skills do not overcome an often-repeated criticism: Business school graduates should have more applied experience.

Hickman says that students are actu-



ally more experienced than most business people assume. About 55 to 60 percent of all MBA students are part time because they hold jobs while attending school. But such criticisms prod business schools to do better and to try to create a niche for themselves in a competitive field.

The University of South Carolina College of Business Administration has created a niche—and a national reputation—in international business. "U.S. companies traditionally have hired business students who were focused only on the domestic market because that is where the students would be working," says Virginia Holcomb, assistant director of corporate relations for the school. "The new world economic order and technological advances have rendered this practice obsolete."

South Carolina not only requires all MBA students to take a course in international business but also offers a Master of International Business Studies and a Ph.D. in business administration with a concentration in international business.

The university's international-business program requires a six-month internship with a U.S. corporation abroad. The program, says Holcomb, "puts the emphasis on managing in a culturally diverse world."

To give its graduates a better connection with the real business world, South

Carolina emphasizes practical fieldwork, in which each student is assigned to a team that consults with a business and offers solutions in a formal presentation. South Carolina's northern neighbor, the Babcock Graduate School of Management at Wake Forest University in Winston-Salem, N.C., places interns with entrepreneurial companies to carry out and implement field studies that such companies do not usually have the time to commission and implement.

Field study is popular among schools, but there are other kinds of outreach

efforts that spotlight the changing world in which business must operate. At UCLA, MBA Students for the Environment, among other activities, sets up teams to make recommendations to companies for "cost-effective changes that are environmentally benign," according to student Mark Weinstein, president of the group.

A number of schools are carving out

**The real issue is giving people technical skills that will enable them to be flexible.**

—Educator Jon P. Goodman

other niches, such as the University of Tennessee's specialty in Total Quality Management, Michigan State University's emphasis on manufacturing issues, and the University of Southern California's focus on entrepreneurship.

Entrepreneurship is "the hottest subject area in the country," says Jon P. Goodman, director of the Entrepreneur Program at the University of Southern California. USC's program, which is of-

and innovative. The real issue is giving people technical skills that will enable them to be flexible and adaptable."

Goodman has started and run her own business successfully, and she insists that getting practical elements into the usual academic curriculum is essential to the new MBA programs.

Raymond E. Britt, president of the Lake Forest (Ill.) Graduate School of Management, couldn't agree more. Lake Forest is already nontraditional because all of its faculty members must be business people with full daytime careers.

Britt, who has headed a safety-products company and his own consultancy, says that in most schools, "administrators are powerless to change things. The faculty teaches about the market economy but can't function in it."

Lake Forest students are working executives who will not put up with theory that cannot be applied, and so, says Britt, "we take an academic idea and test it against experience."

MBA students themselves are a major factor in the changing demands placed on business, because placement trends have changed, says Hickman: "Students read the same articles as everyone else." Because the financial-services industry has significantly slowed its hiring, MBAs are more widely distributed among businesses whose demands are centered more on people than numbers.

MBA programs are themselves having to reflect what happens to any maturing business with a changing market: "The top schools are changing to adapt to the market," says Goodman.

In some ways, the most unorthodox programs seem to be those, like Indiana's, that use a form of leadership challenge program to build teams. Schools such as the University of Michigan and the University of Denver have instituted their own versions of the team system. Denver even includes a brief introduction in how to use utensils at a business dinner, because a diverse marketplace cannot make assumptions about customers or customs.

Although the methods are unorthodox, the object is highly practical: to prepare managers who understand and can operate in a rapidly changing business world.

The qualities that can accomplish that goal, says Sid Luckenbach, a first-year MBA student at Indiana, are stimulated by the MBA program's leadership challenge: "Leadership challenges foster trust, teamwork, and communication."

Janet Lin, the young woman relying on her teammates' ability to hold her up, agrees: "I doubt I would have been able to enjoy it had a high level of group trust not already been established."

Trust, teamwork, communication—MBA programs have left the '80s behind.



Leadership challenges in Indiana's MBA program "foster trust, teamwork," says student Sid Luckenbach (in the "Just Do It" shirt).

Carolina emphasizes practical fieldwork, in which each student is assigned to a team that consults with a business and offers solutions in a formal presentation. South Carolina's northern neighbor, the Babcock Graduate School of Management at Wake Forest University in Winston-Salem, N.C., places interns with entrepreneurial companies to carry out and implement field studies that such companies do not usually have the time to commission and implement.

Field study is popular among schools, but there are other kinds of outreach

ffered as a concentration to graduate business students, is the oldest and largest of its type in the country: Begun in 1971, its enrollment has grown 600 percent in the past two years.

Goodman says traditional MBA programs are inflexible and irrelevant to the way business works—particularly to growing businesses that have to survive in a competitive international marketplace. "You can't create an entrepreneur," she says. "What we give people is a toolbox. We view entrepreneurship as virtually anything that can be described as creative



# Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

## AUCTION SALES

### An Opening Bid

I want to become an auctioneer, but I don't know where to start looking for information.

*R.A., Indianapolis*



ILLUSTRATION: SCOTT ALLEN

Joe Keefhaver, executive vice president of the National Auctioneers Association, suggests that you take the two-week training course offered at auction schools throughout the country. Would-be auctioneers learn bid-calling (also known as the auctioneer's chant), promotion, marketing, state-certification regulations, and valuation of items being auctioned.

Keefhaver estimates that there are more than 40,000 full-time and part-time auctioneers in the U.S. Some work as independents, others are employed by business consortia.

Most auctioneers are paid a commission, he says, although livestock and automobile-wholesaling auctioneers typically are salaried.

For a free list of the 31 auction schools, write to Keefhaver at the National Auctioneers Association, 8880 Ballentine, Overland Park, Kan. 66214.

## HUMAN RESOURCES

### Targeting The Trainers

I produce a product that would help in-plant personnel involved in training. How do I identify companies that maintain training departments?

*S.W., Seattle*

The customer-support department at the American Society for Training and Development offers a free information packet that includes an overview of training programs its member companies offer, but no company names are included.

The association's directory of 27,000 members, available to members only, identifies those with in-house training programs.

Companies with such training programs also can be identified by members through the association's seminars, meetings, and newsletters.

Membership dues are \$150 per year. To become a member or for more information, contact the American Society for Training and Development at 1630 Duke St., P.O. Box 1443, Alexandria, Va. 22313; (703) 683-8100.

## SOFTWARE

### Images And Linkages

I am trying to find computer software that would help me transfer images onto T-shirts.

*M.G., Oxnard, Calif.*

I need information on software that will let me link up customers with their nearest dealers. Any suggestions?

*R.A., Middletown, R.I.*

An information specialist at the Software Publishers Association will answer both your questions or refer you to the appropriate companies.

An association directory lists member companies by name, address, phone number, contact person, and the type of

software produced. The directory costs \$250.

Contact the Software Publishers Association at 1730 M Street, N.W., Suite 700, Washington, D.C. 20036; (202) 452-1600.

### Financial Help

I am looking for the name and phone number of a publisher of a personal-computer program that provides all worksheets and schedules needed for completing a financial statement and business plan for obtaining loans, grants, and investors.

*G.G., Griffin, Ga.*

First Step Review for Business Loans fits your requirements. The program was

## FOOD SERVICE

### Just Desserts

I want to sell ready-to-eat desserts to restaurants and supermarkets in neighboring states. How can I get information on packaging and labeling requirements?

*M.S., Providence, R.I.*

The Center for Food Safety and Applied Nutrition, a division of the U.S. Food and Drug Administration (FDA), has the information you need. The regulatory



guidelines for packaging and manufacturing desserts vary according to whether the dessert is solid or liquid. Call the FDA's food-safety center at (202) 485-0187 for more information.

For information on the labeling regulations for your product, contact the health departments in your state and the states in which you want to sell.

developed jointly by the U.S. Small Business Administration and the National Business Association. For more information, contact the SBA at 1-800-368-5855 and refer to authorization No. 89-0610-001, or call the National Business Association at 1-800-456-0440.

Another program that we find helpful is BizPlanBuilder, from Jian, in Los Altos, Calif. This \$129 program is basically a template that enables you to fill in appropriate sections of a business plan using your own word processor and spreadsheet program. It includes a primer with examples of different ways to structure your company and information about getting money from various sources.

To obtain more information or to order, call 1-800-346-5426.



## EMPLOYMENT

## Temporary Duty

Is this a good time to start a temporary-help business? And where can I get start-up information?

L.D., Tucson, Ariz.

The personnel-supply industry is expected to be the third-fastest-growing employment sector from 1988 to 2000, according to the U.S. Department of Labor's Office of Economic Growth and Employment Projections.

The National Association of Temporary Services, whose members represent 85 percent of the temporary-services industry, sells a Research Reference Kit, containing information on starting a temporary-employment business. The kit costs \$30, payable by check or major credit card. To order, or for more information, write or call the National Association of Temporary Services, 119 S. Saint Asaph St., Alexandria, Va. 22314; (703) 549-6287.

## MINORITY BUSINESS

## Start-Up Assistance

Is it true that the government can issue grants to minority-group members who want to open their own businesses and have solid business plans?

R.K., San Marcos, Texas

No government agency is devoted to financing minority-business start-ups, but the Minority Business Development Agency can supply information about

starting, managing, and developing a business, as well as about technical matters and marketing opportunities.

For more information, call Raymond Cervantes, the agency's business-development specialist at the district office in Dallas, at (214) 767-8001.

## DAY CARE

## A Company Concern

I run an architectural aluminum business, and I need information on setting up an off-site day-care center.

J.F., New Haven, Conn.



The Work and Family Clearinghouse, a division of the Women's Bureau of the U.S. Department of Labor, offers a free resource kit on opening and managing a day-care center. Call the clearinghouse, in Washington, D.C., at (202) 523-4486, weekdays from 11 a.m. to 4 p.m.

## RECREATION

## The Ski Report

I am thinking about opening a recreational area for cross-country skiing in the Columbus, Ohio, vicinity. What is the best



way to conduct some market research before I proceed?

P.L., Columbus, Ohio

Contact Chris Fado, executive director of the Cross Country Ski Areas Association. The association publishes *The Best of Cross Country Skiing*, a 56-page book of information on recreational areas for cross-country skiing and tips on entering the business. The book costs \$8.95, including postage and handling, and can be ordered by writing or calling the Cross Country Ski Areas Association, 259 Bolton Road, Winchester, N.H. 03470; (603) 239-4341.

For free information about consumer ski products, contact the United Ski Industries Association at 8377-B Greensboro Drive, McLean, Va. 22101; (703) 556-9020.

## HOW TO ASK

Have a business-related question? Send your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000. Writers will be identified only by initials and city. Questions may be edited for space.

The editors of Direct Line have devel-

oped *The Small Business Resource Guide*, which contains answers to the questions we are asked most frequently. The booklet is available for \$5.95 a copy (plus \$1 for handling). To order, send a check or money order to the Circulation Department at the address above.

## QUESTION OF THE MONTH

How To Start  
A Recycling Program

The growing interest in environmental responsibility is prompting many of our readers to ask us how they can start recycling programs in their companies. In an interview with *Nation's Business*, John Ortbal, author of *Your Practical Guide to the Environmentally Responsible Office*, offered three pieces of advice: "Don't go it alone, don't expect to make lots of money, and realize that collecting recyclables is only half of the recycling equation."

Ortbal suggested that if your business is in a building with several tenants, you should talk with the property manager and other tenants about starting a recycling program together. "Otherwise, you may not be able to generate enough waste to interest a hauler and get paid for it," he said.

Recycling will save you money, said Ortbal, but it probably won't make money for you. As more businesses and communities recycle their waste, there is more of it in the market—



which drives down the prices that haulers will pay. "If you break even, you are doing really well," said Ortbal.

It is easy to involve employees in recycling, Ortbal said. Most offices start by sorting and collecting white ledger and computer wastepaper. Employees use a dual-wastebasket system to separate recyclable waste from other products.

"To sustain a market for collected waste," Ortbal said, "people also have to 'close the loop' and start buying products made from collected post-consumer waste." Otherwise, manufacturers of recycled goods will eventually stop accepting collected waste—since they can't sell the final product.

To order Ortbal's 56-page book, *Your Practical Guide to the Environmentally Responsible Office*, send a check or money order for \$7.95 to Services Marketing Group, 8 S. Michigan Ave., No. 2500, Chicago, Ill. 60603.

Another good source on recycling is the *Guide to Commercial Recycling*, a 120-page notebook that is updated annually and is available for \$20 from the publisher, Santa Clara Manufacturing Group, 5201 Great American Parkway, Suite 426, Santa Clara, Calif. 95054.

General industry news is reported in the bimonthly magazine *Garbage*. A subscription costs \$21 a year. Send a check to *Garbage*, P.O. Box 56519, Boulder, Colo. 80322-6519.



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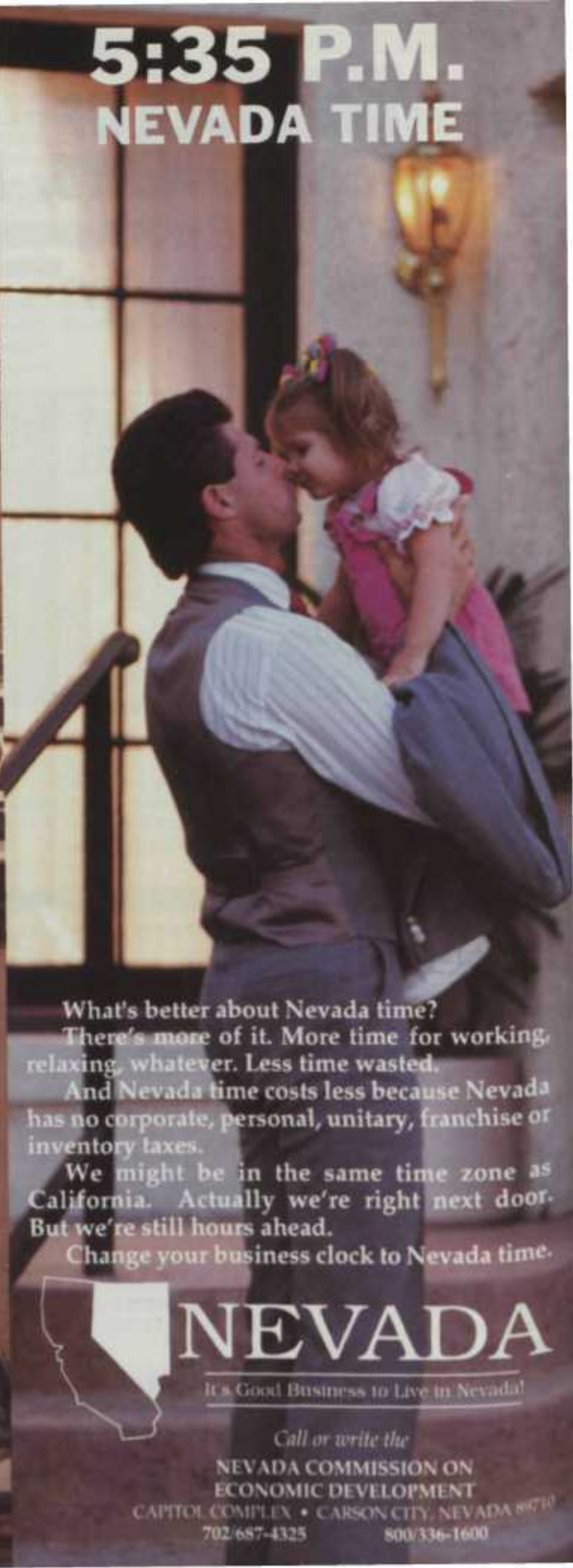
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# To Your Health

*Managing well includes managing your own health; here is advice to help you do that better.*

By Howard Rothman

## You Love The Java Jive, But Does It Love You?

Coffee lovers can be found everywhere in the world, but Americans are the most passionate and loyal of all. More Americans drink coffee than don't, according to generally accepted statistics, and the nation's average aficionado enjoys about 3 1/2 cups each day. The U.S. is the world's largest importer of coffee beans.

Coffee's popularity stems in part from the often desirable effects of its most widely known ingredient: caffeine. Occurring naturally in more than 60 plants, this mild stimulant acts on the central nervous system to improve attention and concentration while causing muscles to work more powerfully and with less fatigue. It is present naturally in coffee and cocoa beans, tea leaves, and cola nuts, and it is added to many soft drinks and compounded into over-the-counter drugs. The amount present in different beverages and drugs varies greatly, but an average cup of coffee usually contains the highest concentration.

Under some circumstances, depending on body chemistry and the amount consumed, caffeine can cause so-called "coffee nerves," characterized by jumpiness, disturbed sleep, stomach distress, heart palpitations, and diarrhea. This mild condition usually disappears as soon as the drinker cuts back on caffeine consumption. Over the years, though, a number of studies have connected caffeine—and, on rare occasions, coffee generally, with or without caffeine—to more serious health problems.

Here's a rundown on where research stands in a number of areas.

**High Cholesterol and Heart Disease.** According to the Institute of Food Technologists (IFT), a 23,000-member scientific society based in Chicago, coffee-related studies in this area began at least as early as 1972. Some studies have found ties between coffee—even decaffeinated coffee—and elevated cholesterol levels; others have not. And while some re-

searchers have connected coffee to a risk of heart failure, their studies are generally considered inconclusive because they did not control adequately for such additional factors as diet, lack of exercise, and stress.

"While common sense dictates that excessive consumption of stimulants such as caffeine is not particularly wise, there continues to be no evidence to suggest that moderate caffeine intake is a causative factor in cardiovascular disease," the IFT concluded in a recently updated report.

**Birth Defects.** In 1980, the U.S. Food and Drug Administration advised pregnant women to limit caffeine intake. The FDA warning came after pregnant rats that had been force-fed caffeine bore offspring with missing toes. That study has been criticized because of the huge amounts of caffeine the rats consumed—the human equivalent of about 87 cups of strongly brewed coffee a day. Defects were not noted at lower doses.

**Cancer.** Possible links between coffee and cancers of the bladder and pancreas have been reported since the 1960s. Nearly all were eventually discounted by observers who believed that no true cause-and-effect relationship had been demonstrated, or that other habits, such as cigarette smoking and obesity, were actually in blame. Positive associations were also discovered in studies focusing on coffee and fibrocystic breast disease, but these connections too have been rejected as tenuous by other researchers.

"So far, no study has established a reliable link between coffee intake and pancreatic and bladder cancer," says Dr. Stanley Segall, head of the Department of Nutrition and Food Science at Drexel University, in Philadelphia. He adds, though, that "there is a subtle connection



PHOTO: ARNEE KAESEH/ALAMY—PICTOR UNLIMITED

Coffee brightens the morning for many millions of Americans.

between coffee intake and benign breast tumors in women." Nonetheless, Segall and other experts, including those at the National Cancer Institute of the National Institutes of Health, do not believe that the tie is strong enough to justify a suggestion that women avoid coffee.

**High Blood Pressure.** This common ailment, also known as hypertension, is the latest to be linked to caffeine. Possible connections have been examined for years, but a 1990 Stanford University study renewed public interest. Researchers claimed that healthy men who drank three to six cups of caffeinated coffee a day experienced significant blood pressure declines when they stopped. The researchers suggested that men suffering from high blood pressure should give up caffeine entirely.

The National Coffee Association (NCA), a New York-based trade group, disputes the Stanford findings. "Standing up from a chair would produce the same statistical changes in blood pressure found in this study," says Mount Sinai Medical Center cardiologist Harvey Wolinsky in a rebuttal released by the NCA.

So, once again, potential dangers have been noted—and just as quickly discounted. The best advice for coffee drinkers remains the same as it has always been: Drink moderate amounts.

Denver-based Howard Rothman is the author of six books on health and fitness, including *The Employee Handbook for Building a Healthier Lifestyle* (International Foundation of Employee Benefit Plans).





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# Where I Stand

## On Health-Care Debate

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# 1.

Who should have responsibility for paying for health care?

1. Federal government
2. Employers
3. Individuals
4. All of the above

# 2.

If you were required by law to provide health insurance to your workers or pay an additional 7 percent payroll tax for each employee, which would you be more likely to select?

1. Provide coverage
2. Pay additional tax
3. Unsure

# 3.

Self-employed individuals may deduct only 25 percent of their health-care costs from taxable income, while corporations may deduct 100 percent. Should the self-employed deduction be expanded to 100 percent?

1. Yes
2. No
3. Undecided

# 4.

Does your company offer health insurance to its employees?

1. Yes
2. No

# 5.

If your answer to Question 4 is "No," what is the greatest barrier to offering insurance?

1. Cost is too great
2. Insurer refused to cover one or more of my workers because of a pre-existing health condition
3. Employees prefer other benefits or cash

# 6.

How many employees does your company have?

1. 1-25
2. 26-99
3. 100-499
4. 500 or more

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# It's Your Money

*A monthly survey of strategies, tactics, tips, and suggestions to help you with your personal finances.*

By Peter Weaver

## TRAVEL

### Insurance Protection For Canceled Plans

You've booked a cruise or a packaged tour, and you've paid thousands of dollars in advance. Then something unforeseen happens: There's an illness in the family, or you are assigned to jury duty, or the tour packager goes bankrupt. The trip has to be canceled, and you find out that all or most of the money you sent in is nonrefundable.

This explains the brisk sales of trip-cancellation insurance, says Courtney McGinnis, a spokesperson for the American Society of Travel Agents, in Alexandria, Va.

If you buy the right kind of policy, one that is backed by one of the major insurers offering trip-cancellation coverage—Mutual of Omaha, Travelers, or Travel Guard—you don't have to worry about whether you would receive a full refund on airline, cruise, or package-tour tickets.

Some cruise operators and tour packagers also offer their own brand of trip-cancellation protection. But these policies usually have some significant exclusions. "They may have severe, pre-existing medical exclusions that would include some chronic ailment you might have," says Peggy Mertes of Travel Guard, in Stevens Point, Wis. "You should look for insurance that offers the widest coverage for emergencies and has the fewest exclusions."

Another possible drawback to such "house-brand" insurance policies is that if the seller goes out of business, your



*Vacation paid for—and canceled? Trip insurance may restore your outlay.*

trip-cancellation protection is worthless.

Although insurers generally no longer offer refund coverage to vacationers whose plans might be soured by rain at the beach or no snow on the slopes, Mertes points out that "you can get

penalty-waiver coverage with your insurance policy, which allows cancellation for any reason."

Regular trip-cancellation insurance typically costs \$5.50 per \$100 worth of coverage. You will pay a little extra for policies that include the no-penalty waiver, and you will get back half of the trip cost (up to \$400) if you cancel for some reason that's not normally covered.

### A Way To Safeguard Frequent-Flier Award Points

These are tough times for the nation's airlines. Some have gone out of business, and others are in various stages of bankruptcy proceedings. If you've piled up a lot of mileage-award points with an airline that goes broke, you could lose out on those free trips or first-class upgrades you earned.

"This is why we came up with Award Guard mileage-point protection," says Ken Heldt, a spokesman for the Frequent Flyer Club, a business-traveler association based in Colorado Springs, Colo. "We will honor your awards," Heldt says, "should any of the frequent-flier programs be unable to pay off because an airline was taken over or went out of business."

You will get your free tickets or upgrades as long as your trip covers one of the departure points and destinations included in the failed airline's route schedule.

For more information and cost quotes, you can call the Frequent Flyer Club, 1-800-487-8893.

## HOME IMPROVEMENTS

### Tips For Nailing Down The Right Contractor

When times are tough, homeowners often put off buying a new place and concentrate instead on fixing up their current digs. "But you have to be very careful



*Peter Weaver is a Washington-based columnist on personal finance.*

these days," says Washington, D.C., real-estate attorney Steve Skalet, "because a lot of the smaller, less-established contractors do not have the financial capability of finishing the job." You could lay out some money, have your house in a mess, and end up paying someone else to finish the job at a much higher cost.

"The most important thing," says Skalet, "is to make sure that your contractor is licensed and bonded in your jurisdiction."

Be wary of small contractors who have not been around very long, he says. "They might offer what you think is a sweetheart low bid, but their survival rate is poor."

You should look for a well-established

contractor who can give you several customer references. When you check out the references, ask if the job was done on time at the agreed-upon price. And ask if the contractor was easy to reach and easy to deal with.

You should have a written contract with all the details—materials, costs, and time of completion—spelled out. "The American Institute of Architects contract is a good model to follow," Skalet says.

Be careful how you deal with the down payment. "Some contractors will ask for a big chunk of money upfront," Skalet says, "and this could be a tipoff that they are not in good financial shape."

A fair amount for a down payment is 10



to 20 percent, Skalet advises. You should make sure that the money is being used for the purchase of materials for your job and is not going to pay off carpenters and others for a previous job. As the work progresses, you should expect to pay out additional funds to match the prescribed, completed stages.

Your contract should cover mechanics' liens (protection against suits from subcontractors), workers' compensation insurance, and liability insurance. Be sure to get copies of the contractors' policies or documents that describe this coverage.

"If there are changes or additions to the contract," Skalet says, "be sure each one is covered with a written change order that spells out what's to be done and how much it will cost."

Finally, if you are looking at a sizable job, one that involves structural changes such as tearing down walls or making additions, you might consider hiring an architect to draw up the plans, select the right contractor, and ride herd on the work to see that it's done right.



**Before you sign up** with a home-improvement company, make sure it is licensed and bonded, and get a contract with all the details, such as costs and time of completion.

## MORTGAGES

### Playing The Game Of Refinancing

Interest rates on mortgages are at their lowest point since the 1970s. If you haven't already done so, it's time to check the numbers to see if refinancing would save you some money.

"In the past," says Peter G. Miller, a real-estate consultant in Silver Spring, Md., and author of *The Common Sense Mortgage* (HarperCollins), "lenders advised waiting until rates were at least two points below what you're paying, but that's not a good yardstick anymore."

Miller says you have to get answers to three crucial questions:

- How much will you save on monthly payments?

- How long will you live in the house?

- How much will it cost to refinance?

Here's an example to illustrate the three-question process. Let's say you determine that refinancing now will save \$150 a month and that the cost of refinancing will be \$3,000. If you plan to move in two years, you'd save only \$600. That's probably not worth it.

But if you plan to stay five years, you could save \$6,000—a major saving and well worth the refinancing cost and paperwork hassle.

Again, depending on how long you plan to stay where you are, you can choose to get a mortgage with no points (a point equals 1 percent of the loan amount) and a higher interest rate, or get one with only one or two points and a lower rate.

"If you plan to stay where you are and will be retiring in the near future," Miller says, "pay the points and keep the rate down."

On the other hand, he says, if you're

going to live in your house only another five years or so, it's better to take a higher rate and avoid the points.

There may also be some tax consequences, good or bad, when you refinance. So it's always a good idea to check with your tax adviser.

## BORROWING

### Co-signing A Loan Can Be Risky

It happens all the time. Your son or daughter or another family member needs a co-signer for a loan for a car or other major purchase, and you oblige. After all, you don't have to make the payments, and it's for a good cause.

"It's a nice thing to do, but you should know some of the costly problems that could come up," says Sandra Wilmore, a credit-practices attorney for the Federal Trade Commission, in Washington, D.C.

First, she says, although "the lender is usually under no obligation to let you know that payments have been late," the late payments are noted on your credit report, and you may never know about them—or realize their effect on your credit standing—until you apply for a loan.

Moreover, if the loan you co-sign is for a large sum, it could limit your own ability to get additional credit.

Even though someone else is making the payments, credit-card issuers, mortgage companies, and others put the entire amount on your record as if it were your own loan.

"The FTC requires lenders to disclose all of these negative possibilities in writing," says Wilmore, "and you should look them over before signing."

## INVESTMENTS

### What Happens To Your Money If Your Broker Goes Broke?

With the contraction in the securities industry and the sluggish economy, some brokerage firms have been forced to close.

Investor accounts are protected against brokerage failures by the Securities Investor Protection Corp. (SIPC), a federal agency, but there are some important restrictions and exemptions worth noting.

"Accounts are protected up to \$500,000," says Michael Don, SIPC's deputy general counsel, "but cash cannot exceed \$100,000, and commodities accounts are not covered at all."

Some brokerage firms have their own "excess SIPC coverage," to provide additional protection for accounts up to \$1 million or more.

Even so, not everyone who sells securities is covered by SIPC or any other kind of insurance. Stockbrokers who are registered with the Securities and Exchange Commission (SEC) are covered automatically by SIPC, but dealers who sell only mutual funds may not be.

In addition, Don says, "investors make the mistake of thinking their account is protected against fraud or a series of bad investment decisions on the broker's part, and they find out, too late, that SIPC doesn't cover these situations."

It's a good idea to have your broker give you something in writing—a booklet, fact sheet, or letter—outlining the protective coverage for your account.

If you are working through a financial planner, find out whether the planner, or the brokerage firm the planner uses, is registered with the SEC and provides SIPC coverage.



# For Your Tax File

*How to keep taxes from trapping you.*

By Albert B. Ellentuck

## ESTIMATED PAYMENTS

### An Accelerated Schedule For Certain Taxpayers

Just before Congress adjourned for 1991, the lawmakers passed and the president signed legislation extending unemployment-compensation benefits for certain jobless workers. To pay for the extension, Congress stepped up estimated tax payments for certain middle- and upper-income taxpayers whose incomes have increased significantly in the past year.

First, the background: Most small-business owners must make quarterly estimated tax payments if they do business as sole proprietors, partners, or owners of S corporations. It is difficult, however, for most owners to estimate net taxable income every three months to calculate an estimated tax payment. Thus, Congress developed the so-called "safe estimate," in which an individual could estimate taxes for the current year based on the taxes paid for the prior year. (See the December 1990 column.)

Take the example of "Joe Doaks," a sole proprietor who paid federal taxes of \$10,000 in 1990. Even if his income and taxes owed for 1991 tripled, he could have paid estimated taxes of \$10,000 (\$2,500 for each quarter) for 1991. There would be no penalty for underestimation.

However, for 1992 to 1996, Doaks would



*Estimating taxes may be more complicated if your income increased substantially.*

not be able to use the safe-estimate technique if all three of these circumstances apply:

- His adjusted gross income as modified for the current year increases by more than \$40,000 over last year.
- His adjusted gross income as shown

on his current-year return is more than \$75,000.

■ He was required to make estimated tax payments in either 1989, 1990, or 1991.

If those circumstances apply to Doaks, he must generally pay 90 percent of his 1992 tax (with certain possible adjustments). For example, if his 1992 tax as adjusted is \$30,000, he must pay \$27,000 in estimated payments for the year.

Congress did not make this rule applicable to the first estimate, however, and so his first 1992 estimated payment can be equal to one-fourth of his last year's tax; for him, that payment would be \$2,500. However, since that \$2,500 payment would be less than one-fourth of 90 percent of his 1992 tax (that is, less than \$6,750), the difference of \$4,250 must be added to his next installment, which would then total \$11,000.

Your accountant may no longer be able to give you estimated-return vouchers that you can use with assurance. You must be alert to your own tax situation. If your accountant thinks the rule might apply to you, your estimated payments—and the accounting fees to make these quarterly calculations—could be higher. But for those whose income does not increase so dramatically or doesn't otherwise come under the new rule, the safe-estimate technique remains.

## CREDITS AND DEDUCTIONS

### A Six-Month Extension For Certain Benefits

In another last-minute action before adjourning for 1991, Congress extended more than a dozen expiring tax breaks for six months.

The extended tax benefits include credits for business research and experimentation, credits for low-income housing development, a 25 percent deduction for health-insurance premiums of self-employed individuals, tax-free tuition reimbursements, and legal-services benefits.



Tax lawyer Albert B. Ellentuck is a partner in the Washington law firm of Colton and Boykin. Readers should see tax and legal advisers on specific cases.

Other breaks that were extended include the targeted-jobs credit, which provides tax benefits for companies that hire the disadvantaged; tax credits for alternative-energy producers; benefits for providers of "orphan" drugs, which are used in treating rare conditions; and tax incentives for some mortgage bonds, mortgage credit certificates, and bonds for small manufacturing projects.

Also extended was the exception from the alternative minimum tax for charitable donations of certain appreciated property. (See the July 1991 column.) Individuals now will have until June 30, 1992, to give their appreciated paintings, statues, and antiques to charity, get a full deduction for the value, and pay no tax on the appreciation.

Because these tax benefits were extended only through the end of June, they will come up again for congressional consideration in the spring.

Congress funded these tax breaks in a

manner somewhat similar to the funding mechanism for the unemployment-compensation extension, explained above.

Many large corporations making estimated payments cannot use the 100-percent safe estimate based on the prior year's taxes. Instead, they usually must pay 90 percent of current taxes. For taxable years beginning in 1992, these corporations generally must base estimated tax payments on 93 percent of current-year liability, whether determined on an actual or annualized basis. The amount will rise to 94 percent for 1993 and 1994, and 95 percent for 1995 and 1996. In 1997 and after, the amount will be 90 percent again.

This will not be a problem for many small firms operating as regular C corporations. But as discussed in the item above, small-business owners operating as sole proprietors or those using partnerships or S corporations may not be able to use the safe estimate for their individual returns.



# Congressional Alert

A report on key legislative issues with suggestions for contacting Congress about them.

Addresses: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.

## Earnings Test Should Be Repealed

Congress is expected to decide soon whether to repeal a law that penalizes recipients of Social Security benefits who continue to work.

Repeal would benefit both employers who depend on older workers and the employees themselves.

Under current law, employees aged 62 through 64 are subject to a \$1 reduction in Social Security benefits for every \$2 in earnings above \$7,440 a year in 1992. For those aged 65 through 69, \$1 in benefits will be withheld for every \$3 earned over \$10,200 in 1992. (These limits do not apply to investment income.) The U.S. Chamber of Commerce says this disincentive to work reduces the income of older Americans and shrinks the pool of experienced older workers available to employers.

In approving reauthorization of the Older Americans Act last year, the Senate approved an amendment to let Social Security recipients draw full retirement benefits regardless of earned income. The House reauthorization contained no such provision.

A conference committee of members of both houses is now resolving differences in the two measures and will send the House and Senate an identical bill. Conference committee retention of the repeal provision would most likely mean approval by the full Congress.

According to the U.S. Chamber, retaining experienced and competent older workers is an increasingly critical employer priority, especially at labor-intensive companies. While eliminating the earnings test would raise total Social Security benefit payments, more senior citizens in the work force would mean more income on which Social Security and income taxes would be paid.

Contact your representative and senators. Urge them to insist that reauthorization of the Older Americans Act provide for repeal of the Social Security earnings test.



ILLUSTRATION: RICHARD SAGE

## Deposit-Insurance Reform Needs Push

An effort to enact meaningful deposit-insurance reform is continuing in Washington.

Many observers see such reform, which Congress failed to enact in 1991, as indispensable to significant reform of the entire banking system.

A major problem with the present deposit-insurance system is that it charges poorly run and well-run depository institutions the same high premiums. Thus, there is no market-based incentive for these institutions to be run carefully.

According to the U.S. Chamber of Commerce, the banking bill Congress passed last year will increase costly federal regulation and raise the price of deposit insurance, even for healthy, well-run banks.

Moreover, the 1991 banking bill did nothing to reduce the probability of future bank failures, according to the Chamber. Nor did it make any effort to bolster bank profitability or the ability of banks to raise capital.

The U.S. Chamber believes that the banking system will remain in crisis unless the financial-services industry is modernized and banks and other financial-services providers have the opportunity to improve their profit potential and their ability to raise capital.

The Chamber also believes the chief obstacle to this goal is costly government regulations stemming from the system of public deposit insurance.

Under a system of market-determined deposit-insurance premiums, healthy institutions would pay lower premiums. In addition, consumers and businesses would be able to obtain a vital piece of information about the quality of particular institutions.

Contact your senators and representative. Urge them to support deposit-insurance reform that establishes market-determined deposit-insurance premiums.



## Expanding IRAs Would Boost Savings

As Congress searches for ways to encourage private savings and increase economic growth, it will be looking at several bills to expand eligibility for Individual Retirement Accounts (IRAs).

By providing tax incentives for savings, IRAs are a proven generator of investment capital. However, the 1986 Tax Reform Act limited the usefulness of IRAs by denying eligibility to millions of Americans. That act imposed rigid income limits on who could make tax-deductible contributions to the retirement accounts.

A new "IRA-Plus" bill—proposed by Sens. Lloyd Bentsen, D-Texas, and William V. Roth Jr., R-DeL., and Reps. J. J. Pickle, D-Texas, and William M. Thomas, R-Calif.—would reinvigorate investment in IRAs by removing the income restrictions. The bill would also allow individuals to make an IRA investment of up to \$2,000 per year through a new "back-loaded" method.

Under the back-loaded approach, no tax deduction would be allowed when the deposits are made, but all earnings on the account would be tax-free. This would maximize the value of the IRA funds when they are needed most.

The proposed legislation, S. 612 in the Senate and H.R. 1406 in the House, would also let individuals make penalty-free IRA withdrawals for first-time home purchases, educational expenses, or financially devastating medical expenses.

Recent studies indicate that the added capital investments made available through the S. 612/H.R. 1406 approach would result in increased employment and productivity, a higher standard of living, and less need to borrow abroad.

Contact your representative and senators. Urge them to promote a more competitive and prosperous America by supporting the expansion of eligibility for IRA tax benefits along the lines proposed in S. 612 and H.R. 1406.





# Editorials

## Economic Policies Should Be Designed To Foster Long-Term Growth, Not Short-Term Political Gain

Two key factors have come together as Congress begins its 1992 session.

One is the political calendar: This is an election year. On Nov. 3, voters will elect a president, all members of the House of Representatives, and one-third of the Senate.

The second factor is the persistent recession.

An election year always poses the risk that decisions based on short-term political considerations will have long-term adverse effects.

There are already signals that 1992 could produce that sequence of events, especially concerning the economy.

Members of Congress are keenly aware that their re-election prospects are closely connected to the economic situation next fall. A continuing recession or even a weak recovery will be a major obstacle for incumbents seeking new terms. They want to be able to go to the voters next November with claims that the most pressing of the nation's domestic problems has either been solved or is well on the way toward a solution.

That strategy, however, raises the threat of the election-year approach to problem-solving: superficial steps intended to create an illusion of corrective action. Much of the early debate on anti-recession policy points in that direction.

Proposals being pushed to the forefront in Congress are in the nature of a quick fix, a "jump-start" in the currently



PHOTO: GERALD COMBES/CONCEPTS

popular term. The focus of many of these approaches is tax relief for the middle class, which sounds like a reasonable approach until you realize that the suggestion is Washington's new code for raising taxes on business and upper-income taxpayers.

While the jump-start approach might play well as a campaign theme, we have pointed out previously that getting the nation back on a long-term growth path involves a comprehensive approach that

includes incentives for savings, investment, and higher productivity.

This comprehensive strategy must also ease the regulatory burden that weakens the ability of U.S. business to innovate and succeed in national and international markets. And policy-makers must avoid what will be a particularly strong temptation this year to impose heavy new costs on business with the idea that the massive problem of providing adequate health care to all Americans can be solved quickly and simply. (An editorial on this issue appears below.)

These long-evolving challenges require long-term solutions, an area in which the private sector excels. The savings, investment, and productivity incentives recommended by the U.S. Chamber of Commerce, for example, offer an excellent starting point for the upcoming debate.

A major strength of this plan is that it looks beyond November. All involved in the debate must do the same.

## A Decision On Improving Health Care Should Not Come Down To A Choice Between Two Extremes

Some of the legislators seeking ways to guarantee adequate health care to all Americans have begun to argue that the solution is coming down to a choice of two extremes.

Those officials contend that we must select either the "play-or-pay" approach or nationalized health care. In the former, employers must provide health-care insurance for their workers or pay into a government fund to provide such insurance to those not covered by a company plan.

Under a nationalized medical-care system, all citizens are enrolled in a government-run, government-financed program covering all health services.

Each approach has obvious and serious drawbacks. Many businesses could not afford either health insurance for their workers or the hefty payroll taxes. When it comes to a national plan, experience in our own and in other countries has shown that governments are no more capable of providing quality medical services than they are of delivering other social services efficiently and effectively.

Certainly, our health-care system needs major improve-

ments, but it does not need extreme solutions. We must first contain the costs that have made insurance too expensive for too many citizens. This can be done without destroying businesses or heading down the road to socialized medicine.

Administrative overhead that adds billions of dollars to our health expenses can be curbed. Malpractice suits that force medical providers to practice costly "defensive medicine" can be drastically reduced through reforms in our legal system. Limitations and restrictions that now discourage small businesses from purchasing medical insurance can be modified or eliminated. So can state laws mandating expensive coverage in medical insurance. We can place increased emphasis on healthful lifestyles.

There are many other steps that can be taken to open the private medical-care system to those now unable to participate in it. Either of the extremes of play-or-pay or nationalized health care would be a retreat from that goal. We have many other choices that offer real promise, and they should provide the basis for genuine health-care reform. ■



# Free-Spirited Enterprise

By Janet L. Willen



## Let It Snow

Business people who want to sharpen their competitive edge should take out their skis—and leave business behind.

Alpine Meadows, of Tahoe City, Calif., is holding its Corporate Ski Challenge for fun only. The annual event is open to anyone employed by a firm that operates for profit and has a direct, paid work force. Ski meets include individual and team downhill and slalom races. The competition takes place March 7 to 14. For applications, write to the Alpine Meadows Corporate Ski Challenge, P.O. Box 5279, Tahoe City, Calif. 95730; or call (916) 583-4232.

the Grand Marnier Chefs Ski Race. This slalom competition is sponsored by **Marnier-Lapostolle**, the Paris firm that makes Grand Marnier liqueur, and is open to chefs, restaurateurs, cooks, caterers, and other food professionals.

The required racing uniform consists of chef's apron and tall white hat—supplied by Grand Marnier—and chef's white jacket.

Qualifying races are held throughout the U.S., with the finals April 1-5, in Taos, N.M. Awards are given for top finishers, best-decorated coat, and best tumble.

Proceeds from the races go to nonprofit organizations fighting hunger. For more information, call SKI Sports Marketing, (908) 527-8434.



## A Clean Sweep

If indoor exercise is more to your liking, **The Maids International** suggests you clean houses for a living.

The cleaning-service franchise, based in Omaha, Neb., says cleaning for a maid service is like getting a light aerobics workout.

In 45 minutes of vacuuming, you can burn 315 calories, the company says, and a typical house cleaning will burn up 171 calories. Ann Langstaff, a Maids team supervisor in Minneapolis, says the physical activity of Maids' work also helps reduce stress.



## Hold The Anchovies

If your employees aren't counting calories, why not treat them to a Grand Chocolate Pizza, from **Judi Kaufman & Co.**, of Beverly Hills, Calif.

The chocolate pizzas start with a chewy brownie or a cinnamon oatmeal crust and are covered with bittersweet chocolate. You choose three of 52 toppings, which include English toffee, mint mousse, M&Ms, and jelly beans. Healthful toppings, like seasonal berries, dried apricots, and pineapple, are also available.

Pizzas range in size from 3 to 14 inches—with heart-shaped pizzas available for Valentine's Day. They serve from one to 20 people and cost from \$6 to \$69, with shipping extra. For more information, call 1-800-475-RSVP.

## For Safekeeping

A new shipping envelope, from **PUP-PAK Production and Marketing Inc.**, of Inglewood, Calif., expands to hold most products in protective foam.

Called **Xpander Pak**, the envelope has compressed polyurethane foam inside its walls. You insert your product and close the flap. Then puncture two indicated circles to release the compression and let the foam expand. The envelope looks like a pillow as it encloses the object in three inches of foam.

Xpander Pak is available in

three sizes—9x12 inches, 12x15 inches, and 13x20 inches. All envelopes are 1/2-inch thick and expand to 3 inches. Suggested retail prices range from \$3 to \$5.50.

## In Other Words

If your business reaches out to Argentina or Zambia or anywhere in between, **AT&T** has a service for you. The company is offering translations and interpretations through its **Language Line Services**.

Over-the-phone translations—for a word or phrase or even a two-way conversation—are available in more than 140 languages, 24 hours a day, in the U.S. or abroad.

Language Line also offers written translations of documents of any length—from a one-page letter to technical manuals, contracts, or marketing pieces.

For handy translations while you're abroad, there are **POINT TALK Travel Translators** in 12 European and Asian languages. The multi-paneled cards list common English words and phrases and their equivalents side-by-side. To communicate, you find the English term you want and point to its translation.

For information on the services and their costs, call 1-800-752-6096.

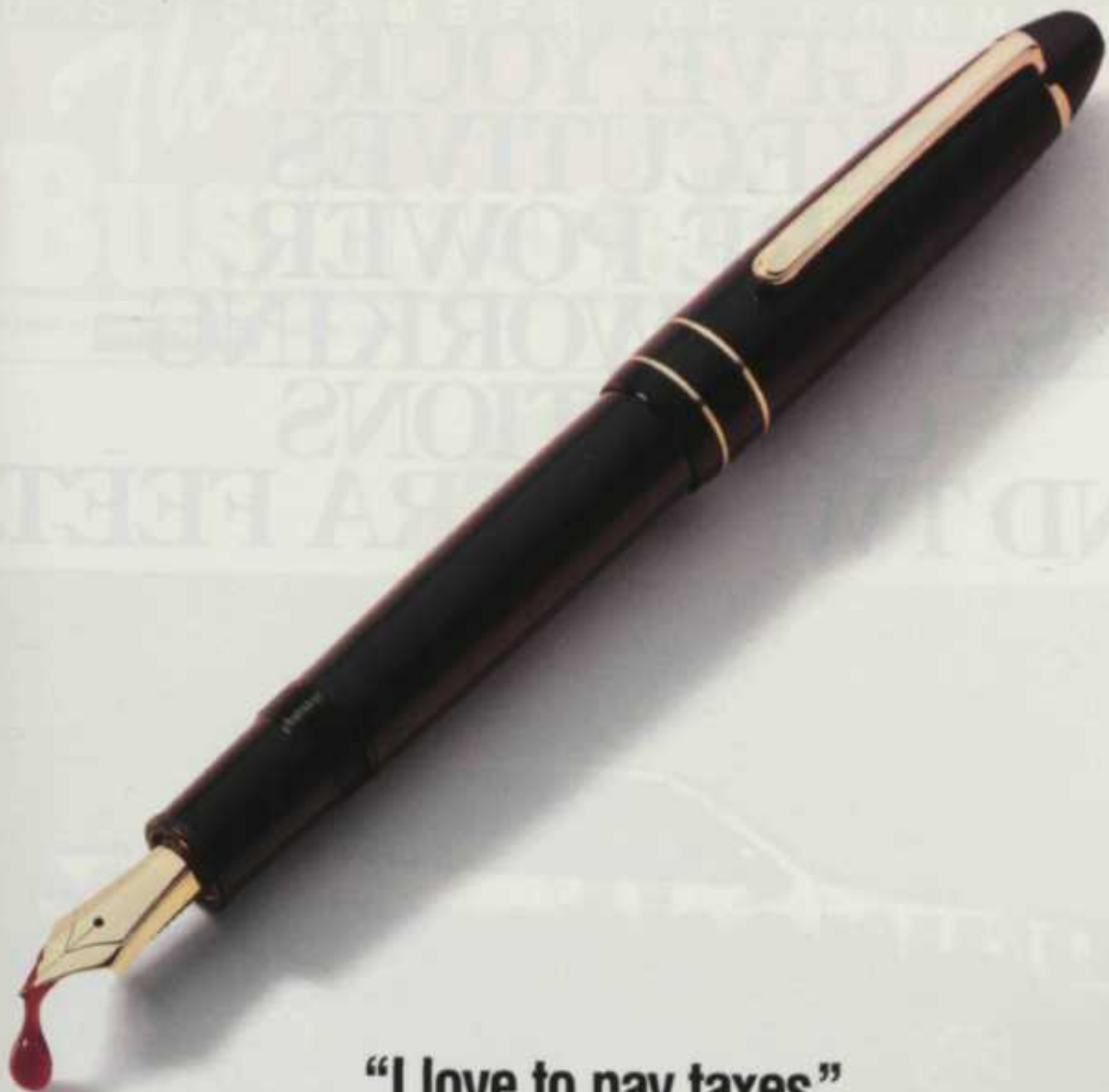


## Pièce De Résistance

On another slope, if your business is food, you may prefer







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\*1992 EPA estimated mileage figures for the 4-cylinder Camry Sedan with 5-speed manual overdrive transmission (22 city/29 highway MPG) and for the V6 Camry Sedan (18 city/25 highway MPG).

\*\*The Camry features a driver-side air bag Supplemental Restraint System (SRS) which activates in a front-end accident of enough magnitude to inflate the bag. In a moderate collision, primary protection is provided by the 3-point lap and shoulder belt system, and the air bag may not inflate. So, safety belts should be worn at all times by all occupants.

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